

104  
**H.R. 3637, TRAVEL REFORM AND SAVINGS ACT  
OF 1996**

Y 4.G 74/7:T 69/14

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H.R. 3637, Travel Reforms and Savin...

COMMITTEE ON GOVERNMENT MANAGEMENT,  
INFORMATION, AND TECHNOLOGY  
OF THE

**COMMITTEE ON GOVERNMENT  
REFORM AND OVERSIGHT  
HOUSE OF REPRESENTATIVES**

**ONE HUNDRED FOURTH CONGRESS**

**SECOND SESSION**

**ON**

**H.R. 3637**

TO AMEND CHAPTER 57 OF TITLE 5, UNITED STATES CODE, AND TITLE  
31, UNITED STATES CODE, TO PROVIDE EMPLOYEES WHO TRANSFER  
IN THE INTEREST OF THE GOVERNMENT MORE EFFECTIVE AND EF-  
FICIENT DELIVERY OF RELOCATION ALLOWANCES BY REDUCING AD-  
MINISTRATIVE COSTS AND IMPROVING SERVICES, AND FOR OTHER  
PURPOSES

**JULY 9, 1996**

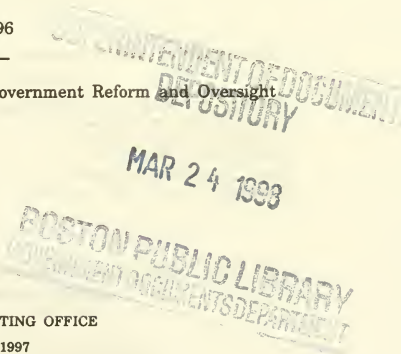
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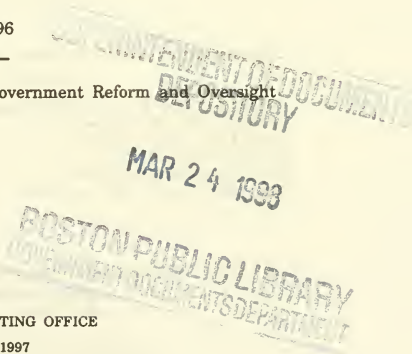
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# H.R. 3637, TRAVEL REFORM AND SAVINGS ACT OF 1996

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TUESDAY, JULY 9, 1996

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,  
INFORMATION, AND TECHNOLOGY,  
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 311, Cannon House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn and Owens.

Staff present: J. Russell George, staff director and counsel; Mark Brasher, professional staff member; Erik Anderson, clerk; and Miles Romney and Mark Stephenson, minority professional staff members.

Mr. HORN. The Subcommittee on Government Management, Information, and Technology will come to order, and according to the General Accounting Office, the Federal Government spends approximately \$7.6 billion every year on Federal travel and relocation. The Federal Government spends an additional \$2 to \$3 billion per year simply processing the paperwork generated by this travel. As the Federal Government continues its effort to balance its budget, it is imperative that Federal departments and agencies reexamine and reengineer their travel processes to save taxpayer dollars.

Outdated and inflexible laws can stifle innovation and change. Federal travel practices need to change to reflect the change in technology available to Government. It is with this aim that I introduce H.R. 3637, along with my colleagues Representatives Fox and Maloney. This legislation seeks to complement the reengineering efforts which are occurring in many departments and agencies. H.R. 3637 allows agencies to use predetermined travel costs in order to save money and to reduce audit costs. It creates incentives for Federal employees to save travel dollars by giving employees greater flexibility and choice. It also promotes prepayment audits for transportation expenses, which will prevent overpayments and save taxpayer dollars.

All of the changes in the bill are commonsense modifications which, frankly, are long overdue. The largest impediment to reengineering travel and other agency systems is often the Government's internal rules and regulations. These policies may have made sense in another time, but times do change. We no longer need to spend \$100 auditing a \$50 voucher when random sampling will suffice. We no longer need multiple paper forms for Federal

travel when a single form will do. We no longer need paper forms if we can make electronic all of the travel authorization and vouchering systems and tie them into the agency's accounting and disbursing systems. H.R. 3637 makes some of these things possible.

Each and every agency must be diligent in reengineering its travel systems and reducing its cost and administrative burden imposed on the agency. The proposal before us today will make it possible for agencies to save annually \$320 million on travel expenses and \$50 million in reduced expenses on transportation charges. The taxpayer needs these savings. This hearing should enlighten us as to how we will best obtain these savings.

[The text of H.R. 3637 follows:]



104TH CONGRESS  
2D SESSION

# H. R. 3637

To amend chapter 57 of title 5, United States Code, and title 31, United States Code, to provide employees who transfer in the interest of the Government more effective and efficient delivery of relocation allowances by reducing administrative costs and improving services, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 13, 1996

Mr. HORN (for himself and Mr. FOX of Pennsylvania) introduced the following bill; which was referred to the Committee on Government Reform and Oversight

---

## A BILL

To amend chapter 57 of title 5, United States Code, and title 31, United States Code, to provide employees who transfer in the interest of the Government more effective and efficient delivery of relocation allowances by reducing administrative costs and improving services, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Travel Reform and  
5 Savings Act of 1996".

## 1 SEC. 2. TABLE OF CONTENTS.

2 The table of contents for this Act is as follows:

Sec. 1. Short title.

Sec. 2. Table of contents.

### TITLE I—RELOCATION BENEFITS

Sec. 101. Modification of allowance for seeking permanent residence quarters.

Sec. 102. Modification of temporary quarters subsistence expenses allowance.

Sec. 103. Modification of residence transaction expenses allowance.

Sec. 104. Authority to pay for property management services.

Sec. 105. Authority to provide employment assistance services to the spouse of a transferring employee.

Sec. 106. Authority to transport a privately owned motor vehicle within the continental United States.

Sec. 107. Authority to pay limited relocation allowances to an employee who is performing an extended assignment.

Sec. 108. Authority to pay a home marketing incentive.

Sec. 109. Conforming amendments.

### TITLE II—MISCELLANEOUS PROVISIONS

Sec. 201. Repeal of the long-distance telephone call certification requirement.

Sec. 202. Transfer of authority to issue regulations.

## 3 TITLE I—RELOCATION BENEFITS

### 4 SEC. 101. MODIFICATION OF ALLOWANCE FOR SEEKING

### 5 PERMANENT RESIDENCE QUARTERS.

6 Section 5724a of title 5, United States Code, is  
7 amended to read as follows:

### 8 “§ 5724a. Relocation expenses of employees trans- 9 ferred or reemployed

10 “(a) An agency shall pay to or on behalf of an em-  
11 ployee who transfers in the interest of the Government,  
12 a per diem allowance or the actual subsistence expenses,  
13 or a combination thereof, of the immediate family of the  
14 employee for en route travel of the immediate family be-  
15 tween the employee’s old and new official stations.

1       “(b)(1) An agency may pay to or on behalf of an em-  
2     ployee who transfers in the interest of the Government be-  
3     tween official stations located within the United States—

4               “(A) the expenses of transportation, and either  
5     a per diem allowance or the actual subsistence ex-  
6     penses, or a combination thereof, of the employee  
7     and the employee’s spouse for travel to seek perma-  
8     nent residence quarters at a new official station; or

9               “(B) the expenses of transportation, and an  
10    amount for subsistence expenses in lieu of a per  
11    diem allowance or the actual subsistence expenses or  
12    a combination thereof, authorized in subparagraph  
13    (A) of this paragraph.

14       “(2) Expenses authorized under this subsection may  
15    be allowed only for one round trip in connection with each  
16    change of station of the employee.”.

17   **SEC. 102. MODIFICATION OF TEMPORARY QUARTERS SUB-**  
18               **SISTENCE EXPENSES ALLOWANCE.**

19       Section 5724a of title 5, United States Code, is fur-  
20    ther amended by adding at the end the following new sub-  
21    section:

22       “(c)(1) An agency may pay to or on behalf of an em-  
23    ployee who transfers in the interest of the Government—

24               “(A) actual subsistence expenses of the em-  
25    ployee and the employee’s immediate family for a pe-

1       riod of 60 days while occupying temporary quarters  
2       when the new official station is located within the  
3       United States as defined in subsection (d) of this  
4       section; or

5               “(B) an amount for subsistence expenses in-  
6       stead of the actual subsistence expenses authorized  
7       in subparagraph (A) of this paragraph.

8       “(2) The period authorized in paragraph (1) of this  
9       subsection for payment of expenses for residence in tem-  
10      porary quarters may be extended up to an additional 60  
11      days if the head of the agency concerned or his or her  
12      designee determines that there are compelling reasons for  
13      the continued occupancy of temporary quarters.

14       “(3) The regulations implementing paragraph (1)(A)  
15      shall prescribe daily rates and amounts for subsistence ex-  
16      penses per individual.”.

17      **SEC. 103. MODIFICATION OF RESIDENCE TRANSACTION EX-**  
18                                   **PENSES ALLOWANCE.**

19       (a) EXPENSES OF SALE.—Section 5724a of title 5,  
20      United States Code, is further amended by adding at the  
21      end the following new subsection:

22               “(d)(1) If an employee of an agency transfers in the  
23      interest of the Government between official stations that  
24      are both located within the United States, the agency shall  
25      pay to or on behalf of the employee—

1           “(A) expenses of the sale of the residence (or  
2           the settlement of an unexpired lease) of the em-  
3           ployee at the old official station; and

4           “(B) expenses of purchase of a home at the new  
5           official station that are required to be paid by the  
6           employee.

7           “(2) If an employee of an agency transfers in the in-  
8           terest of the Government from a post of duty located out-  
9           side the United States to an official station within the  
10          United States (other than the official station within the  
11          United States from which the employee was transferred  
12          when assigned to the foreign tour of duty), the agency  
13          shall pay to or on behalf of the employee—

14          “(A) expenses required to be paid by the em-  
15          ployee for the sale of the residence (or the settle-  
16          ment of an unexpired lease) of the employee at the  
17          old official station from which the employee was  
18          transferred when he or she was assigned to the post  
19          of duty located outside the United States; and

20          “(B) expenses required to be paid by the em-  
21          ployee for the purchase of a residence at the new of-  
22          ficial station within the United States.

23          “(d)(1) An agency shall pay to or on behalf of an  
24          employee who transfers in the interest of the Government,  
25          expenses of the sale of the residence (or the settlement

1 of an unexpired lease) of the employee at the old official  
2 station and purchase of a home at the new official station  
3 that are required to be paid by the employee, when the  
4 old and new official stations are located within the United  
5 States.

6 “(2) An agency shall pay to or on behalf of an em-  
7 ployee who transfers in the interest of the Government  
8 from a post of duty located outside the United States to  
9 an official station within the United States (other than  
10 the official station within the United States from which  
11 the employee was transferred when assigned to the foreign  
12 tour of duty)—

13 “(A) expenses required to be paid by the em-  
14 ployee for the sale of the residence (or the settle-  
15 ment of an unexpired lease) of the employee at the  
16 old official station from which the employee was  
17 transferred when he or she was assigned to the post  
18 of duty located outside the United States; and

19 “(B) expenses required to be paid by the em-  
20 ployee for the purchase of a residence at the new of-  
21 ficial station within the United States.

22 “(3) Reimbursement of expenses under paragraph (2)  
23 of this subsection shall not be allowed for any sale (or set-  
24 tlement of an unexpired lease) or purchase transaction  
25 that occurs prior to official notification that the employ-

1 ee's return to the United States would be to an official  
2 station other than the official station from which the em-  
3 ployee was transferred when assigned to the post of duty  
4 outside the United States.

5       “(4) Reimbursement for brokerage fees on the sale  
6 of the residence and other expenses under this subsection  
7 may not exceed those customarily charged in the locality  
8 where the residence is located.

9       “(5) Reimbursement may not be made under this  
10 subsection for losses incurred by the employee on the sale  
11 of the residence.

12       “(6) This subsection applies regardless of whether  
13 title to the residence or the unexpired lease is in the name  
14 of the employee alone, in the joint names of the employee  
15 and a member of the employee's immediate family, or in  
16 the name of a member of the employee's immediate family  
17 alone.

18       “(7)(A) In connection with the sale of the residence  
19 at the old official station, reimbursement under this sub-  
20 section shall not exceed 10 percent of the sale price.

21       “(B) In connection with the purchase of a residence  
22 at the new official station, reimbursement under this sub-  
23 section shall not exceed 5 percent of the purchase price.

24       “(8) For purposes of this subsection, the term ‘Unit-  
25 ed States’ means the several States of the United States,

1 the District of Columbia, the territories and possessions  
2 of the United States, the Commonwealth of Puerto Rico,  
3 the Commonwealth of the Northern Mariana Islands, and  
4 the areas and installations in the Republic of Panama  
5 made available to the United States pursuant to the Pan-  
6 ama Canal Treaty of 1977 and related agreements (as de-  
7 scribed in section 3(a) of the Panama Canal Act of  
8 1979).”.

9 (b) RELOCATION SERVICES.—Section 5724c of title  
10 5, United State Code, is amended to read as follows:

11 **“§ 5724c. Relocation services**

12 “Under regulations prescribed under section 5737,  
13 each agency may enter into contracts to provide relocation  
14 services to agencies and employees for the purpose of car-  
15 rying out this subchapter. An agency may pay a fee for  
16 such services. Such services include, but need not be lim-  
17 ited to, arranging for the purchase of a transferred em-  
18 ployee’s residence.”.

19 **SEC. 104. AUTHORITY TO PAY FOR PROPERTY MANAGE-**  
20 **MENT SERVICES.**

21 Section 5724a of title 5, United States Code, is fur-  
22 ther amended—

23 (1) in subsection (d) (as added by section 103),  
24 by redesignating paragraph (8) as paragraph (9),



1 and by inserting after paragraph (7) the following  
2 new paragraph:

3 “(8) An agency may pay to or on behalf of an em-  
4 ployee who transfers in the interest of the Government,  
5 expenses of property management services, instead of ex-  
6 penses under paragraph (2) or (3) of this subsection, for  
7 sale of the employee’s residence.”; and

8 (2) by adding at the end the following new sub-  
9 section:

10 “(e) An agency may pay to or on behalf of an em-  
11 ployee who transfers in the interest of the Government,  
12 the expenses of property management services when the  
13 employee transfers to a post of duty outside the United  
14 States as defined in subsection (d) of this section. Such  
15 payment shall terminate upon return of the employee to  
16 an official station within the United States as defined in  
17 subsection (d) of this section.”.

18 **SEC. 105. AUTHORITY TO PROVIDE EMPLOYMENT ASSIST-**  
19 **ANCE SERVICES TO THE SPOUSE OF A TRANS-**  
20 **FERRING EMPLOYEE.**

21 Section 5724a of title 5, United States Code, as  
22 amended by section 104, is further amended by adding  
23 at the end the following new subsection:

24 “(f) An agency may pay, to or on behalf of an em-  
25 ployee who transfers in the interest of the Government,

1 the expenses of employment assistance services for the em-  
2 ployee's spouse.”.

3 **SEC. 106. AUTHORITY TO TRANSPORT A PRIVATELY OWNED**  
4 **MOTOR VEHICLE WITHIN THE CONTINENTAL**  
5 **UNITED STATES.**

6 (a) IN GENERAL.—Section 5727 of title 5, United  
7 States Code, is amended—

8 (1) by redesignating subsections (c) through (e)  
9 as subsections (d) through (f), respectively;

10 (2) by inserting after subsection (b) the follow-  
11 ing new subsection:

12 “(c) Under regulations prescribed under section  
13 5737, the privately owned motor vehicle or vehicles of an  
14 employee, including a new appointee or a student trainee  
15 for whom travel and transportation expenses are author-  
16 ized under section 5723, may be transported at Govern-  
17 ment expense to a new official station of the employee  
18 when the agency determines that it is advantageous and  
19 cost effective to the Government.”; and

20 (3) in subsection (e) (as so redesignated), by  
21 striking “subsection (b) of this section” and by in-  
22 serting “subsection (b) or (c) of this section”.

23 (b) AVAILABILITY OF APPROPRIATIONS.—

24 (1) NEW APPOINTEES.—Section 5722(a) of title  
25 5, United States Code, is amended—

1 (A) by striking “and” at the end of para-  
2 graph (1);

3 (B) by striking the period at the end of  
4 paragraph (2) and inserting “; and”; and

5 (C) by adding at the end the following:

6 “(3) the expenses of transporting a privately  
7 owned motor vehicle to the extent authorized under  
8 section 5727.”.

9 (2) NEW APPOINTEES AND STUDENT TRAIN-  
10 EES.—Section 5723(a) of title 5, United States  
11 Code, is amended—

12 (A) by striking “and” at the end of para-  
13 graph (1);

14 (B) by inserting “and” after the semicolon  
15 at the end of paragraph (2); and

16 (C) by adding at the end the following:

17 “(3) the expenses of transporting a privately  
18 owned motor vehicle to the extent authorized under  
19 section 5727(c);”.

20 **SEC. 107. AUTHORITY TO PAY LIMITED RELOCATION AL-**  
21 **LOWANCES TO AN EMPLOYEE WHO IS PER-**  
22 **FORMING AN EXTENDED ASSIGNMENT.**

23 (a) IN GENERAL.—Subchapter II of chapter 57 of  
24 title 5, United States Code, is amended by adding at the  
25 end the following new section:

1 **“§ 5736. Relocation expenses of an employee who is**  
2 **performing an extended assignment**

3 “(a) Under regulations prescribed under section  
4 5737, an agency may pay to or on behalf of an employee  
5 assigned from his or her official station to a duty station  
6 for an extended period of time, the following expenses in  
7 lieu of payment of expenses authorized under subchapter  
8 I of this chapter:

9 “(1) Travel expenses to and from the assign-  
10 ment location in accordance with section 5724.

11 “(2) Transportation expenses of the immediate  
12 family and household goods and personal effects to  
13 and from the assignment location in accordance with  
14 section 5724.

15 “(3) A per diem allowance for the employee’s  
16 immediate family to and from the assignment loca-  
17 tion in accordance with section 5724a(a).

18 “(4) Travel and transportation expenses of the  
19 employee and spouse to seek residence quarters at  
20 the assignment location in accordance with section  
21 5724a(b).

22 “(5) Subsistence expenses of the employee and  
23 the employee’s immediate family while occupying  
24 temporary quarters upon commencement and termi-  
25 nation of the assignment in accordance with section  
26 5724a(c).

1           “(6) An amount, in accordance with section  
2       5724a(g), to be used by the employee for miscellane-  
3       ous expenses related to change of station where  
4       movement or storage of household goods is involved.

5           “(7) The expenses of transporting a privately  
6       owned motor vehicle or vehicles to the assignment lo-  
7       cation in accordance with section 5727.

8           “(8) An allowance as authorized under section  
9       5724b of this title for Federal, State, and local in-  
10      come taxes incurred on reimbursement of expenses  
11      paid under this section or on services provided in  
12      kind under this section.

13          “(9) Expenses of nontemporary storage of  
14      household goods and personal effects as defined in  
15      section 5726(a). The weight of the household goods  
16      and personal effects stored under this subsection, to-  
17      gether with the weight of property transported under  
18      section 5724(a), may not exceed the total maximum  
19      weight which could be transported in accordance  
20      with section 5724(a).

21          “(10) Expenses of property management serv-  
22      ices.

23          “(b) An agency shall not make payment under this  
24      section to or on behalf of the employee for expenses in-  
25      curred after termination of the temporary assignment.

1       “(c) When an employee is paid travel and transpor-  
 2       tation expenses under this section, the duty station shall  
 3       be considered the employee’s official station.”.

4       (b) CLERICAL AMENDMENT.—The table of sections  
 5       for chapter 57 of title 5, United States Code, is amended  
 6       by inserting after the item relating to section 5735 the  
 7       following new item:

“5736. Relocation expenses of an employee who is performing an extended as-  
 signment.”.

8       **SEC. 108. AUTHORITY TO PAY A HOME MARKETING INCEN-**  
 9       **TIVE.**

10       (a) IN GENERAL.—Subchapter IV of chapter 57 of  
 11       title 5, United States Code, is amended by adding at the  
 12       end the following new section:

13       **“§ 5756. Home marketing incentive payment**

14       “(a) Under such regulations as the Administrator of  
 15       General Services may prescribe, an agency may pay to an  
 16       employee who transfers in the interest of the Government  
 17       an amount, not to exceed a maximum payment amount  
 18       established by the Administrator in consultation with the  
 19       Director of the Office of Management and Budget, to en-  
 20       courage the employee to aggressively market his or her  
 21       residence at the old official station when—

22       “(1) the residence is entered into a program es-  
 23       tablished under a contract in accordance with sec-

tion 5724c of this chapter, to arrange for the purchase of the residence;

“(2) the employee finds a buyer who completes the purchase of the residence through the program; and

“(3) the sale of the residence to the individual results in a reduced cost to the Government.

“(b) For fiscal years 1997 and 1998, the Administrator shall establish a maximum payment amount of 5 percent of the sales price of the home.”.

(b) CLERICAL AMENDMENT.—The table of sections for chapter 57 of title 5, United States Code, is amended by inserting at the end the following:

“5756. Home marketing incentive payment.”.

#### SEC. 109. CONFORMING AMENDMENTS.

(a) Section 5724a of title 5, United States Code, is further amended by adding at the end the following new subsections:

“(g) An employee who is reimbursed under subsections (a) through (f) of this section or section 5724(a) of this title is entitled to an amount for miscellaneous expenses—

“(1) not to exceed 2 weeks’ basic pay, if he or she has an immediate family; or

“(2) not to exceed 1 week’s basic pay, if he or she does not have an immediate family.

1 However, the amounts may not exceed amounts deter-  
2 mined from the maximum rate for GS-13.

3       “(h) A former employee separated by reason of reduc-  
4 tion in force or transfer of function who within 1 year  
5 after the separation is reemployed by a nontemporary ap-  
6 pointment at a different geographical location from that  
7 where the separation occurred may be allowed and paid  
8 the expenses authorized by sections 5724, 5725, 5726(b),  
9 and 5727 of this title, and may receive the benefits author-  
10 ized by subsections (a) through (g) of this section, in the  
11 same manner as though he or she had been transferred  
12 in the interest of the Government without a break in serv-  
13 ice to the location of reemployment from the location  
14 where separated.

15       “(i) Payments for subsistence expenses, including  
16 amounts in lieu of per diem or actual subsistence expenses  
17 or a combination thereof, authorized under this section  
18 shall not exceed the maximum payment allowed under reg-  
19 ulations which implement section 5702 of this title.

20       “(j) Subsections (a), (b), and (c) shall be imple-  
21 mented under regulations issued under section 5737.”.

22       (b) Section 3375 of title 5, United States Code, is  
23 amended—



1 (1) in subsection (a)(3), by striking “section  
2 5724a(a)(1) of this title” and inserting “section  
3 5724a(a) of this title”;

4 (2) in subsection (a)(4), by striking “section  
5 5724a(a)(3) of this title” and inserting “section  
6 5724a(e) of this title”; and

7 (3) in subsection (a)(5), by striking “section  
8 5724a(b) of this title” and inserting “section  
9 5724a(g) of this title”.

10 (c) Section 5724(e) of title 5, United States Code,  
11 is amended by striking “section 5724a(a), (b) of this title”  
12 and inserting “section 5724a(a) through (g) of this title”.

13 (d) Section 707 of title 38, United States Code, is  
14 amended—

15 (1) in subsection (a)(6), by striking “Section  
16 5724a(a)(3)” and inserting “Section 5724a(c)”; and

17 (2) in subsection (a)(7), by striking “Section  
18 5724a(a)(4)” and inserting “section 5724a(d)”.

19 (e) Section 501 of the Public Health Service Act (42  
20 U.S.C. 290aa) is amended—

21 (1) in subsection (g)(2)(A), by striking  
22 “5724a(a)(1)” and inserting “5724a(a)”; and

23 (2) in subsection (g)(2)(A), by striking  
24 “5724a(a)(3)” and inserting “5724a(e)”.

1 (f) Section 925 of the Public Health Service Act (42  
2 U.S.C. 299c-4) is amended—

3 (1) in subsection (f)(2)(A), by striking  
4 “5724a(a)(1)” and inserting “5724a(a)”; and

5 (2) in subsection (f)(2)(A), by striking  
6 “5724a(a)(3)” and inserting “5724a(c)”.

7 **SEC. 110. GENERAL DEFINITION OF UNITED STATES.**

8 Section 5721 of title 5, United States Code, is  
9 amended by striking “and” after the semicolon at the end  
10 of paragraph (4), by striking the period at the end of para-  
11 graph (5) and inserting “; and”, and by adding at the  
12 end the following new paragraph:

13 “(6) except for purposes of subsections (c), (d),  
14 and (e) of section 5724a of this title, ‘United States’  
15 means the several States and the District of Colum-  
16 bia.”.

17 **TITLE II—MISCELLANEOUS**  
18 **PROVISIONS**

19 **SEC. 201. REPEAL OF THE LONG-DISTANCE TELEPHONE**  
20 **CALL CERTIFICATION REQUIREMENT.**

21 Section 1348 of title 31, United States Code, is  
22 amended—

23 (1) by striking the last sentence of subsection  
24 (a)(2);

25 (2) by striking subsection (b); and

1 (3) by redesignating subsections (c) and (d) as  
2 subsections (b) and (c), respectively.

3 **SEC. 202. AUTHORITY TO REQUIRE USE OF THE TRAVEL**  
4 **CHARGE CARD.**

5 (a) IN GENERAL.—The Administrator of General  
6 Services may require that Federal employees use the travel  
7 charge card established pursuant to the United States  
8 Travel and Transportation Payment and Expense Control  
9 System or any Federal contractor-issued travel charge  
10 card issued for all payments of expenses of official Govern-  
11 ment travel. The Administrator may exempt payments  
12 from any requirement established under the preceding  
13 sentence in any case in which—

14 (1) it is in the best interest of the United  
15 States to do so; or

16 (2) payment through a travel charge card is im-  
17 practical or imposes unreasonable burdens or costs  
18 on Federal employees or their agencies.

19 (b) LIMITATION ON RESTRICTION ON DISCLO-  
20 SURE.—

21 (1) IN GENERAL.—Section 1113 of the Right to  
22 Financial Privacy Act of 1978 (12 U.S.C. 3413) is  
23 amended by adding at the end the following new  
24 subsection:

1       “(q) Nothing in this title shall apply to the disclosure  
2 of any financial record or information to a Government  
3 authority in conjunction with a Federal contractor-issued  
4 travel charge card issued for official Government travel.”.

5           (2) EFFECTIVE DATE.—The amendment made  
6 by paragraph (1) is effective as of October 1, 1983,  
7 and applies to any records created pursuant to the  
8 United States Travel and Transportation Payment  
9 and Expense Control System or any Federal con-  
10 tractor-issued travel charge issued for official Gov-  
11 ernment travel.

12 **SEC. 203. PREPAYMENT AUDITS OF TRANSPORTATION EX-**  
13 **PENSES.**

14       (a) IN GENERAL.—(1) Section 3322 of title 31, Unit-  
15 ed States Code, is amended in subsection (c) by inserting  
16 after “classifications” the following: “if the Administrator  
17 of General Services has determined that verification by  
18 prepayment audit conducted pursuant to section 3726(c)  
19 of this title will not adequately protect the interests of the  
20 Government”.

21       (2) Section 3528 of title 31, United States Code, is  
22 amended—

23           (A) in subsection (a)(3) by striking “and” after  
24 the semicolon at the end, in subsection (a)(4)(C) by  
25 striking the period at the end and inserting “; and”,

1 and by adding at the end of subsection (a) the fol-  
2 lowing new paragraph:

3 “(5) verifying transportation rates, freight clas-  
4 sifications, and other information provided on a Gov-  
5 ernment bill of lading or transportation request, un-  
6 less the Administrator of General Services has deter-  
7 mined that verification by a prepayment audit con-  
8 ducted pursuant to section 3726(a) of this title will  
9 not adequately protect the interests of the Govern-  
10 ment.”;

11 (B) in subsection (c)(1), by inserting after “de-  
12 ductions” the following: “and the Administrator of  
13 General Services has determined that verification by  
14 a prepayment audit conducted pursuant to section  
15 3726(a) of this title will not adequately protect the  
16 interests of the Government”; and

17 (C) in subsection (c)(2), by inserting after  
18 “agreement” the following: “and the Administrator  
19 of General Services has determined that verification  
20 by prepayment audit will not adequately protect the  
21 interests of the Government”.

22 (3) Section 3726 of title 31, United States Code, is  
23 amended—

24 (A) by amending subsection (a) to read as fol-  
25 lows:

1       “(a) Each agency which receives a bill from a carrier  
2 or freight forwarder for transporting an individual or  
3 property for the United States Government shall verify its  
4 correctness (to include transportation rates, freight classi-  
5 fications, or proper combinations thereof), using prepay-  
6 ment audit or other means suitable to the circumstances,  
7 prior to payment in accordance with the requirements of  
8 this section and regulations prescribed by the Adminis-  
9 trator of General Services. The Administrator of General  
10 Services may exempt bills from an audit or review, and  
11 determine that bills are exempt from a prepayment audit  
12 or verification based on cost-effectiveness, public interest,  
13 or other factors the Administrator deems appropriate. Ex-  
14 penses for prepayment audits shall be funded by the agen-  
15 cy’s appropriations used for the transportation services.  
16 The audit authority provided to agencies by this section  
17 is subject to oversight by the Administrator.”;

18       (B) by redesignating subsections (b), (c), (d),  
19 (e), (f), and (g) in order as subsections (d), (e), (f),  
20 (g), (h), and (i), respectively;

21       (C) by inserting after subsection (a) the follow-  
22 ing new subsections:

23       “(b) The Administrator may conduct pre- or  
24 postpayment audits of transportation bills from any Fed-

1 eral agency. The number and types of bills audited shall  
2 be based on the Administrator's judgment.

3       “(c) The Administrator shall adjudicate transpor-  
4 tation claims which cannot be resolved by the agency pro-  
5 curing the transportation services, or the carrier or  
6 freight-forwarder presenting the bill. A claim under this  
7 section shall be allowed only if it is received by the Admin-  
8 istrator not later than 3 years (excluding time of war)  
9 after the later of the following dates:

10           “(1) The date of accrual of the claim.

11           “(2) The date payment for the transportation is  
12 made.

13           “(3) The date a refund for an overpayment for  
14 the transportation is made.

15           “(4) The date a deduction under subsection (d)  
16 of this section is made.”;

17       (D) in subsection (f), as so redesignated, by  
18 striking “subsection (c)” and inserting “subsection  
19 (e)”, and by adding at the end the following new  
20 sentence: “This reporting requirement expires De-  
21 cember 31, 1998.”; and

22       (E) in subsection (i)(1), as so redesignated, by  
23 striking “subsection (a)” and inserting “subsection  
24 (c)”.

1 (b) EFFECTIVE DATE.—The amendments made by  
2 this section shall become effective 18 months after the  
3 date of enactment of this Act.

4 **SEC. 204. REIMBURSEMENT FOR TAXES ON MONEY RE-**  
5 **CEIVED FOR TRAVEL EXPENSES.**

6 (a) IN GENERAL.—Title 5, United States Code, is  
7 amended by inserting after section 5706b the following  
8 new section:

9 **“§ 5706c. Reimbursement for taxes incurred on**  
10 **money received for travel expenses**

11 “(a) Under regulations prescribed pursuant to section  
12 5707 of this title, the head of an agency or department,  
13 or his or her designee, may use appropriations or other  
14 funds available to an agency for administrative expenses,  
15 for the reimbursement of Federal, State, and local income  
16 taxes incurred by an employee or by an employee and such  
17 employee’s spouse (if filing jointly), for any travel trans-  
18 portation reimbursement made to an employee for which  
19 reimbursement or an allowance is provided.

20 “(b) Reimbursements as used under this subsection  
21 shall also include an amount equal to all income taxes for  
22 which the employee and spouse, as the case may be, would  
23 be liable due to the reimbursement for the taxes referred  
24 to in the first sentence of this subsection. In addition, re-  
25 imbursements as used under this subsection shall also in-



1 clude penalties and interest, for the tax years 1993 and  
 2 1994 only, as a result of agencies failing to withhold the  
 3 appropriate amounts for tax liabilities of employees af-  
 4 fected by the change in the deductibility of travel expenses  
 5 made by Public Law 102-486.”.

6 (b) CLERICAL AMENDMENT.—The table of sections  
 7 at the beginning of chapter 57 of title 5, United States  
 8 Code, is amended by inserting after the item relating to  
 9 section 5706b the following new item:

“5706e. Reimbursement for taxes incurred on money received for travel ex-  
 penses.”.

10 (c) EFFECTIVE DATE.—This section shall be effective  
 11 as of January 1, 1993.

12 **SEC. 205. TRANSFER OF AUTHORITY TO ISSUE REGULA-**  
 13 **TIONS.**

14 (a) IN GENERAL.—Subchapter II of chapter 57 of  
 15 title 5, United States Code, is further amended by adding  
 16 at the end the following new section:

17 **“§ 5737. Regulations**

18 “(a) Except as specifically provided in this sub-  
 19 chapter, the Administrator of General Services shall pre-  
 20 scribe regulations necessary for the administration of this  
 21 subchapter.

22 “(b) The Administrator of General Services shall pre-  
 23 scribe regulations necessary for the implementation of sec-

1 tion 5724b of this subchapter in consultation with the Sec-  
2 retary of the Treasury.

3 “(c) The Secretary of Defense shall prescribe regula-  
4 tions necessary for the implementation of section 5735 of  
5 this subchapter.”.

6 (b) CLERICAL AMENDMENT.—The table of sections  
7 for chapter 57 of title 5, United States Code, is further  
8 amended by inserting after the item relating to section  
9 5736 the following new item:

“5737. Regulations.”.

10 (c) CONFORMING AMENDMENTS.—(1) Section 5722  
11 of title 5, United States Code, is amended by striking  
12 “Under such regulations as the President may prescribe”,  
13 and inserting “Under regulations prescribed under section  
14 5737 of this title”.

15 (2) Section 5723 of title 5, United States Code, is  
16 amended by striking “Under such regulations as the  
17 President may prescribe”, and inserting “Under regula-  
18 tions prescribed under section 5737 of this title”.

19 (3) Section 5724 of title 5, United States Code, is  
20 amended—

21 (A) in subsections (a) through (c), by striking  
22 “Under such regulations as the President may pre-  
23 scribe” each place it appears and inserting “Under  
24 regulations prescribed under section 5737 of this  
25 title”;

1 (B) in subsections (c) and (e), by striking  
2 “under regulations prescribed by the President” and  
3 inserting “under regulations prescribed under sec-  
4 tion 5737 of this title”; and

5 (C) in subsection (f), by striking “under the  
6 regulations of the President” and inserting “under  
7 regulations prescribed under section 5737 of this  
8 title”.

9 (4) Section 5724b of title 5, United States Code, is  
10 amended by striking “Under such regulations as the  
11 President may prescribe” and inserting “Under regula-  
12 tions prescribed under section 5737 of this title”.

13 (5) Section 5726 of title 5, United States Code, is  
14 amended—

15 (A) in subsection (a), by striking “as the Presi-  
16 dent may by regulation authorize” and inserting “as  
17 authorized under regulations prescribed under sec-  
18 tion 5737 of this title”; and

19 (B) in subsections (b) and (c), by striking  
20 “Under such regulations as the President may pre-  
21 scribe” each place it appears and inserting “under  
22 regulations prescribed under section 5737 of this  
23 title”.

24 (6) Section 5727(b) of title 5, United States Code,  
25 is amended by striking “Under such regulations as the

1 President may prescribe” and inserting “Under regula-  
2 tions prescribed under section 5737 of this title”.

3 (7) Section 5728 of title 5, United States Code, is  
4 amended in subsections (a), (b), and (c)(1), by striking  
5 “Under such regulations as the President may prescribe”  
6 each place it appears and inserting “Under regulations  
7 prescribed under section 5737 of this title”.

8 (8) Section 5729 of title 5, United States Code, is  
9 amended in subsections (a) and (b), by striking “Under  
10 such regulations as the President may prescribe” each  
11 place it appears and inserting “Under regulations pre-  
12 scribed under section 5737 of this title”.

13 (9) Section 5731 of title 5, United States Code, is  
14 amended by striking “in accordance with regulations pre-  
15 scribed by the President” and inserting “in accordance  
16 with regulations prescribed pursuant to section 5737 of  
17 this title”.

18 **SEC. 206. EFFECTIVE DATE; ISSUANCE OF REGULATIONS.**

19 (a) **EFFECTIVE DATE.**—The amendments made by  
20 this Act shall take effect upon the expiration of the 180-  
21 day period beginning on the date of the enactment of this  
22 Act.

23 (b) **REGULATIONS.**—The Administrator of General  
24 Services shall issue regulations implementing the amend-

1 ments made by this Act by not later than the expiration  
2 of the period referred to in subsection (a).

○

Mr. HORN. Our first witness will be Mr. Jack L. Brock, Jr., the director of the Information Resources Management/General Government Issues, General Accounting Office and the Accounting and Information Division.

Mr. Brock, if you and your colleague would stand and raise your right hands.

[Witnesses sworn.]

Mr. HORN. Both witnesses have affirmed, and if you would introduce your colleague then proceed with your statement, we would appreciate it.

**STATEMENTS OF JACK L. BROCK, JR., DIRECTOR, INFORMATION RESOURCES MANAGEMENT/GENERAL GOVERNMENT ISSUES, GENERAL ACCOUNTING OFFICE, ACCOUNTING AND INFORMATION DIVISION, ACCOMPANIED BY EDITH PYLES, ASSISTANT DIRECTOR, INFORMATION RESOURCES MANAGEMENT/POLICIES AND ISSUES GROUP, ACCOUNTING AND INFORMATION MANAGEMENT DIVISION, GENERAL ACCOUNTING OFFICE**

Mr. BROCK. Thank you very much, Mr. Chairman. I am very pleased to introduce Edith Pyles, who is the project manager on the travel reengineering effort. Much of the credit for today's testimony should go to Ms. Pyles.

I am very pleased to be here today. I would like to briefly summarize my statement. I think the bottom line is that we are very supportive of this legislation and very supportive of the efforts that the JFMIP and the agencies are doing to, in fact, reengineer their travel processes, their administrative processes.

As you mentioned in your statement that was released this morning, there is an opportunity for a win-win situation. Win-win is that the Federal Government can save substantial money, but at the same time it can improve the service that it offers to its travelers. It can begin to treat travelers as trusted employees while at the same time, as I mentioned, save money.

I would like to talk about two things this morning. First of all, just a little brief background on what we have found the administrative travel processes to be in our review of both DOD and other Government agencies, and I would like to offer a few comments on the legislation.

About 2 years ago, I testified before Senator Cohen on DOD's travel processes. I think I used a phrase there that each travel process within DOD was unique. It was like snow flakes: No two are alike. We found DOD spent over 30 percent of its direct travel dollar—this is for TDY travel on administrative expenses—and that the cost of that was \$68 to \$232 for processing the travel, both getting approval for the travel as well as processing the travel voucher, depending on the location. With DOD there were up to 50 steps in terms of doing this. Steps that may have taken a few hours in total to process might take the traveler a period of 16 days to 30 days to actually go through.

We looked at governmentwide travel administration. We found a similar situation. We found most Government agencies spent between \$37 and \$123 to process TDY travel. We went out and looked at the best practice companies; that is, those companies that, in

fact, had reengineered their travel processes. We found they spent much less. In fact, they spent between \$10 and \$20 doing essentially the same things as the Federal Government did. They did it without sacrificing controls. They did it by empowering the employee, simplifying the processes, and generally just reengineering the process to make it much more cost effective.

One of the things I am really pleased to comment on before I get into the bill is that agencies are beginning to turn this around. We found a couple of examples at IRS and the Forest Service where they had already taken aggressive action to reduce their travel costs, and I am pleased to say at DOD, which we have been working closely with over the past 2 years. They have very aggressively instituted over 20 pilots that, in fact, are beginning to test and implement new travel rules and regulations and policies and procedures, which I believe offer substantial opportunities for improving both the cost and the burden on the traveler itself.

I would also like to give credit to the JFMIP, they have shown real leadership in the area, as well as the agencies that have participated in their travel engineering project. I think they have come up with a first class document that can really serve as a model for agencies to follow when they are looking at restructuring their travel processes.

In commenting on H.R. 3637, I would like to restrict my comments to temporary duty travel because that is all that we have really looked at. We have two specific comments on the bill, then we have one comment on the Senate provision as well.

First of all, we believe that the bill itself would implement a number of key practices that leading organizations have adopted to reduce their cost. I think the bill is a giant step in the right direction. In fact, the bill, if adopted, will go a long ways toward improving travel administration throughout the Government.

In terms of the two provisions on long-distance certification, we agree. I think this is a process where the certification costs more than the call. This is an example of where you are spending dollars to chase dimes, and it is not worth the effort.

On the mandated use of the travel card—and I think this is the biggest area—the travel card can be used to pay for 80 to 90 percent of travel costs, which is transportation and lodging. It offers a couple of advantages. One, it greatly reduces the cash management burden on the agency. It allows the agency greater information in terms of what travelers are doing. It offers the traveler a greater source of information. It can greatly simplify the processing of the vouchers, and it offers opportunities for instituting greater and stronger controls, but less imposition on the employee itself. We are very supportive of those two aspects of the bill.

The third provision I want to comment is in the Senate version of the bill not the House version, and that is on the requirement that requires GAO to assess cost savings to the Government after 1 year. We disagree with this provision. This should be a responsibility for the agencies.

Under the CFO Act, agencies are required to provide complete, reliable, and timely information on matters relating to the management of the agency, and we believe as the CFO Act is being imple-



mented on an agencywide basis, they, in fact, should be responsible for developing the baseline and for assessing the costs.

A problem we see right now is that during our survey of 70 agencies, I think a majority of these agencies could not measure or otherwise determine the cost of their administrative travel processes. I guess there is an axiom that has become trite over the years: You can't manage what you can't measure.

We would strongly encourage those agencies to implement the measures, the CFO baseline of their current travel or administrative travel expenses, then being able to track any savings that would be realized through implementation of this bill. This would be consistent with the CFO Act, and we think would also strengthen the agency's capability of managing their internal management controls.

This concludes my summary, Mr. Chairman. I would be happy to address any questions you may have.

[The prepared statement of Mr. Brock follows:]



Statement of Jack L. Brock, Jr.  
 Director, Information Resources Management/  
 General Government Issues  
 Accounting and Information Management Division

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Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to testify on the Subcommittee's hearings on the proposed Travel Reform and Savings Act (H.R. 3637). Travel is one of many processes across the government that, through the adoption of best private sector practices and aggressive streamlining efforts, can yield substantial savings to taxpayers. The proposed Travel Reform and Savings Act takes a major step toward adopting the best practices of other organizations. Not only will this result in improved service to government travelers, but it will also help reduce travel costs.

My purpose today is to discuss how our work on governmentwide travel management supports the Subcommittee's proposed legislation. I will first highlight the act's key provisions, then summarize our previous work and how it relates to the act, and finally provide our views on the act and our concern with a provision found in the Senate version of the act (S.1745 amendment 4143).

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## The Travel Reform and Savings Act

In adopting best private sector travel practices, the act seeks to reduce administrative burdens and save millions of dollars in government relocation and travel costs. Specifically, the act deals with a number of issues relating to the direct and administrative costs incurred by government employees on temporary duty travel (TDY) or relocating. The act also aims to provide equitable reimbursements to employees.

Direct costs include those for transportation, lodging, rental cars, among others. Administrative costs cover arranging travel, getting it approved, and reporting travel expenses, as well as the organization's cost for processing, auditing, and reimbursing the travel.

The relocation issues addressed by the bill include:

- setting allowances for seeking permanent resident quarters, temporary quarters subsistence expense, resident transaction expenses;
- establishing authority to pay for property management services, to provide employment assistance services for spouses, and to transport privately owned motor vehicles; and
- paying for limited relocation allowances to an employee who is performing an extended assignment and paying a home marketing incentive.

The bill also addresses temporary duty travel issues, including

- repealing the requirement that long-distance telephone calls be certified,
- requiring the use of the travel charge card, and
- reimbursing employees for taxes on money received for travel expenses.

## GAO Work Supports the Need for Travel Reform and Savings

Our previous work on governmentwide travel management supports the overall thrust of the Subcommittee's proposed legislation. Travel management is an area with great potential for reengineering and with good reason. In fiscal year 1994, the federal government reported travel obligations covering direct costs for individuals traveling or relocating of about \$7.6 billion. By adopting the practices of leading organizations that have streamlined and automated their own travel processes, the bill can help streamline processes and reduce paperwork requirements. In turn, this will save taxpayers millions of dollars in government travel-related costs.

Our prior report and testimonies have shown that a number of specific actions can be taken by federal agencies and the General Services Administration to improve how temporary duty travel is arranged, processed, and reimbursed.<sup>1</sup> Because it spends most of the government's travel dollars, we first assessed how the Department of Defense manages travel using the best practices of private organizations as benchmarks. From there, we set out to discover how other federal agencies manage travel, what practices and strategies they followed to get there, and how they compare with leading private sector organizations. As part of this effort, we conducted a survey at 70 executive branch civilian agencies and conducted case studies at specific locations at three agencies to understand how travel is arranged and processed. Our work focused on temporary duty travel and on administrative costs. It did not focus on relocation issues and direct costs.

In essence, we found that only a handful of federal agencies have adopted the best practices of the private sector, but if all agencies did so, hundreds of millions of dollars in travel costs would be saved.

<sup>1</sup>Testimony before the Senate Subcommittee on Oversight of Government Management and the District of Columbia, Committee on Governmental Affairs, Governmentwide Travel Management: Federal Agencies Have Opportunities for Streamlining and Improving Their Travel Practices (GAO/T-AIMD-96-60, March 8, 1996). Business Process Reengineering: DOD Has a Significant Opportunity to Reduce Travel Costs by Using Industry Practices (GAO/T-AIMD-96-101, Mar. 28, 1996) and Travel Process Reengineering: DOD Faces Challenges in Using Industry Practices to Reduce Costs (GAO/AIMD/NSIAD-95-90, Mar. 2, 1995).

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Among the actions we have recommended that federal agencies take to close the gap between them and leading organizations are (1) assessing agency travel costs and processes and establishing a baseline of current performance and (2) identifying where operations can be streamlined and consolidated. Similarly, for the Department of Defense, we urged that the Department define milestones and performance measures to ensure the success of its travel improvement efforts.

For federal agencies as well as the Department of Defense the private sector best practices that could result in substantial efficiency gains and cost savings include: allowing employees to travel without authorization documents; automating and streamlining expense reporting; using one integrated travel system; consolidating processing locations; and simplifying travel policies.

We have also encouraged agencies to study and implement the practices and approaches identified by the Joint Financial Management Improvement Program (JFMIP) travel improvement team. Among other things, for temporary duty travel the team's recommendations included requiring the use of government-issued charge cards during travel; consolidating and automating travel data; and eliminating the long-distance telephone call certification requirement. For employee relocations, the team's recommendations included: notifying employees early of transfers; paying limited relocation allowances for a temporary change of station; and paying pre-determined travel costs for temporary quarters and househunting trips. Additionally, we have recommended that agencies be on the constant lookout for opportunities to obtain and share information—from both internal and external pilot projects.

We further identified a number of actions that the General Services Administration can take to streamline travel processes throughout government. Because of the role GSA plays in overseeing federal agencies and managing governmentwide travel policy, these actions are pivotal to improving TDY travel management. Specifically, we recommended that GSA (1) establish travel cost data standards for both direct and administrative costs, (2) form user groups to facilitate sharing knowledge and information as well as the development of a cross-service directory and applications directory, and (3) assess and revise the federal travel regulations (FTR) based on JFMIP suggestions and lessons learned.

## GAO Views on the Proposed Travel Reform and Savings Act

As I stated earlier, the proposed Travel Reform and Savings Act implements a number of key practices aimed at putting federal agencies on par with leading private sectors and reducing administrative requirements associated with the travel process. This legislation can help improve service to the travelers and substantially reduce government travel costs.

Because our previous work focused on TDY issues, I will comment on three provisions of the act: the first is the provision to repeal a requirement to certify long-distance telephone calls made during travel and the second is the provision giving agencies the authority to require the use of the travel charge card. Both of these measures were suggested by the JFMIP improvement team. I will also discuss a provision from the Senate version of the act (S.1745 amendment 4143), which requires the GAO to assess the cost savings generated from implementation of the act.

First, we agree with the provision that calls for repealing the requirement to certify long-distance calls made during travel duty. Based on a law enacted in 1939, agencies must certify that long-distance telephone calls made by employees are in the interest of the government before paying for the call. All travelers have to submit telephone call receipts, regardless of the amount. By eliminating the certification requirement, the proposed bill will relieve employees and agencies of this administrative burden and save money.

Second, we endorse the provision that gives agencies the authority to require the use of the travel charge card. Our prior work on Department of Defense and governmentwide travel found that mandated use of a corporate charge card for all transportation and lodging expenses as well as cash advances was one of the best practices for leading organizations. This policy greatly simplified and streamlined operations in an area that accounts for as much as 80 to 90 percent of all travel spending. Because this practice is key to having efficient travel processes, one organization requires an explanation for any instance in which the corporate charge card is not used for at least 90 percent of all business travel expenses.

By mandating charge card usage, agencies can eliminate the processing time for cash advances and the costs for getting an advance. No longer will agencies have to maintain petty cash at cash windows for temporary duty travel and they will be able to conduct one reconciliation for all travel expenses.

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Third, I would like to comment on the provision from the Senate version of the act (S.1745 amendment 4143), requiring GAO to assess the cost savings to federal travel administration resulting from statutory and regulatory changes under the act. Currently, the agencies do not have enough baseline information to effectively assess their progress in reducing administrative travel cost. Our survey of 70 agencies (which represented 92 percent of total travel obligations for executive-branch agencies for fiscal year 1994) showed that many agencies have not determined what their administrative travel cost and processes are. Of the 64 agencies that responded to our survey, 47 had not identified any of their administrative cost. Thirteen agencies identified some cost elements and only 4 agencies identified all cost elements.

Much of the baseline information needed to assess cost savings should be gathered as part of the requirements of the Chief Financial Officers (CFO) Act, which requires that agencies provide complete, reliable, and timely information regarding the management activities of the agency. Such an accurate picture of costs and processes is essential for deciding where to start improvement efforts and how to measure progress. Without it, realizing the savings possible by rethinking and redesigning travel management will be difficult to achieve.

However, to assure the Congress that the necessary specific information exists to assess savings to the public, we suggest including a legislative provision that requires agencies themselves to assess their baseline travel costs and to measure their progress in reducing costs one year after it takes effect. Once this is done, we will be available, as needed, to assist the Congress in evaluating these assessments.

As I mentioned earlier, we recently urged GSA to establish travel data standards and assist in agency benchmarking efforts. If successfully implemented, both of these actions should help agencies assess and redesign their TDY travel processes. In this regard, we also believe that GSA should establish travel cost data standards for both direct and administrative costs. While it may be difficult to establish administrative cost standards, given the lack of administrative cost data currently available, doing so will provide agencies much more specific and useful guidance. It will also facilitate cost comparisons among agencies.

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In conclusion, travel is one of many processes in government which offer substantial potential savings to the taxpayer through diligent agency and

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congressional efforts to adopt best practices. This Subcommittee's continued interest, support, and oversight in this area will facilitate concrete gains in getting better value for the government's travel dollar. Mr. Chairman and Members of the Subcommittee, this completes my testimony. I'll be happy to answer any questions you may have.

Mr. HORN. On the latter issue where there is a difference between the Senate and House versions, I assume one of the reasons the Senate would ask the GAO to review this is that they feel that might be more objective.

Do you have a concern about the agency's objectivity in this matter?

Mr. BROCK. Well, being cynical, I might have, and being a GAO auditor and being trained in a certain amount of cynicism, I would always view any statement that we save money with a jaundiced eye until we have reviewed it. But I think this case is one if we did the audit, I am not sure in terms of just the feasibility of us doing a Governmentwide audit on savings how practical that would be.

On the other hand, one of the things that we could do is on a sampling basis we could review the cost determinations done by the agencies, then assess whether or not those were done in a reasonable manner, if a good methodology had been followed, and if the agencies had the necessary data to make such an assessment. I think that might be a more appropriate role.

Mr. HORN. Would you need specific directions in the legislation in order to do that, or could you simply do it as your oversight auditing rules anyhow?

Mr. BROCK. I think we could do it under our normal oversight responsibilities.

Mr. HORN. You mentioned the temporary duty travel, and most of your recommendations focus on reducing the administrative cost through better management. I wonder if you have—are there any other recommendations you could spell out that relate to temporary duty travel? It seems to me that is one of the major areas of concern.

Mr. BROCK. Right. The law that we are discussing today focuses primarily on a couple of key aspects, but there are a number of best practices that agencies could follow in terms of reducing their administrative travel cost. Most of these, I believe, can be taken without legislative direction in terms of simplifying the travel process, having random audits as opposed to mandatory audits, and doing a number of things like that which can greatly simplify the processes. Legislation is not required to do this. In fact, a number of agencies have already greatly simplified their travel process without legislation.

One of the benefits, I think, of the legislation that is being considered right now, though, is that it begins to establish a legislative sense or direction of purpose that you will, in fact, take action to reduce your administrative travel cost. But I think that if agencies don't aggressively move out and begin to look at a whole range of reengineering options, that their ultimate savings could be limited if they only go about it in a halfhearted manner.

Mr. HORN. Obviously one way to lower travel and relocation costs is not to have automatic assignments after a certain number of years. To what degree does GAO have any recommendations in that area, and to what degree has the reinventing government effort faced up to some of those things? I realize there are substantial consequences maybe we don't want to have in terms of military in particular, but are there any thoughts GAO has on this?



Mr. BROCK. We have not taken a position on relocation, but I think that any agency when it's looking at its business needs to consider the impact of relocation. If, in fact, we have a relocation, is it going to improve the ability of this agency to operate? And is that relocation cost-effective? I think that needs to be the primary consideration: Is it cost-effective; will we, in fact, have better service by this relocation?

There could be a number of factors that would be included in that and included in the development of individual employees by increasing the scope and range of their knowledge base, providing the agency with particular skills and remote location that it may not have, but those all need to be factors. I think just having an automatic relocation just for the sake of relocating would not, in fact, be a good business practice.

Mr. HORN. Speaking of good business practices, your testimony mentioned some of them. Should Congress mandate those practices?

Mr. BROCK. I think for the most part agencies have the flexibility to implement those practices without legislation, but one of the things that you—that Congress might want to do is that after a year or so of having this legislation in place is to go back, and this could be as part of an assessment: How is it going; how is it working; what else are you doing; and do we, in fact, need to modify the legislation to require additional implementation of other best practices?

Mr. HORN. I am thinking of the travel management centers as an example of best practices. How easy do you think that is going to be for agency cooperation, or should there be groups that would serve several agencies?

Mr. BROCK. I think right now with the dialog that is going on between the agencies, particularly through the participation of JFMIP, that right now there is an opportunity and I think a spirit of goodwill and cooperation between the agencies that could allow something like that to happen, but again, I think it is something that should be reassessed in a year to see how well it is occurring.

Mr. HORN. I have been informed by staff that in May the General Accounting Office sent a letter to the General Services Administration asking them to review the Federal travel regulations. Have you monitored any complaints with that recommendation?

Mr. BROCK. No. Ms. Pyles just told me we are right now in the process of reviewing that.

Mr. HORN. So you don't know what action has been taken yet then?

Mr. BROCK. No.

Mr. HORN. Let us know.

Ms. Pyles, do you have anything to add to this discussion? Otherwise I am done questioning.

Ms. PYLES. No, I don't have anything to add.

Mr. HORN. Thank you very much for coming. We appreciate your testimony as usual.

Mr. BROCK. Thank you very much, sir.

Mr. HORN. You are quite welcome.



If panel two would come forward: Ms. Robinson, Dr. Hamre, Mr. Wagner, and Mr. Charney. If you would stand and raise your right hands.

[Witnesses sworn.]

Mr. HORN. All four witnesses affirmed.

We will just begin as it is in the roster with Ms. Robinson, the executive director the Joint Financial Management Improvement Project as the first witness.

Ms. Robinson.

**STATEMENTS OF VIRGINIA B. ROBINSON, EXECUTIVE DIRECTOR, JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROJECT; JOHN HAMRE, COMPTROLLER, DEPARTMENT OF DEFENSE; G. MARTIN WAGNER, ASSOCIATE ADMINISTRATOR, OFFICE OF POLICY PLANNING AND EVALUATION, GENERAL SERVICES ADMINISTRATION; AND DONALD K. CHARNEY, CHIEF FINANCIAL OFFICER, AGENCY FOR INTERNATIONAL DEVELOPMENT**

Ms. ROBINSON. Mr. Chairman, thank you very much for this opportunity to discuss travel management improvement in the Federal Government.

I am the executive director of the Joint Financial Management Improvement Program. The JFMIP is a cooperative program of the Department of the Treasury, the General Accounting Office, the Office of Management and Budget, and the Office of Personnel Management. It coordinates resources to address Governmentwide financial management issues. JFMIP recognized the need to reform travel management in the Federal Government and organized a task force to address the issues. In October 1994, we asked the General Services Administration, which administers the Federal Travel Regulations, and the U.S. Agency for International Development, a user of the regulations, to help lead this undertaking. Its purpose has been to identify and recommend opportunities to improve travel management and to remove outdated policies that impact the implementation of these recommendations.

The JFMIP task force, consisting of travel policy experts from departments and agencies across the Federal Government, performed a holistic review of temporary duty and relocation travel policies used in Government today. This task force also reviewed travel practices of the private sector and the reviews done by the General Accounting Office and the Department of Defense. We also met with executives, auditors and travel experts in developing the 25 travel improvement recommendations. The recommendations, consolidated in a JFMIP publication entitled "Improving Travel Management Governmentwide," are consistent with best travel practices obtained from several organizations in both the public and the private sectors.

We have received favorable response to the report. We appreciate especially the assistance of this subcommittee in supporting legislation to implement JFMIP's travel management legislative recommendations. The executive branch is working to revise the FTR to implement JFMIP's regulatory recommendations. Implementing these legislative and regulatory recommendations will remove impediments and provide commonsense solutions to improve travel

management while providing equitable and timely reimbursements, and will, of course, save money for the Government, too.

JFMIP proposes implementation across the board where needed for consistency in the Government. We propose discretionary implementation where individual agency business practice needs should take precedence. Government agencies will choose to voluntarily implement options that improve resource use.

Travel management is not a static process, and as such, JFMIP suggests pursuing the following initiatives to ensure continuous improvement in travel management: Establish a central repository of travel data to track direct costs; such as airfare, lodging, rental car, temporary quarters, transportation of household goods, and so forth. Measure administrative costs at regular intervals and evaluate the efficiency of the delivery of travel services through agency management reviews. Organize a travel industry advisory group and create a travel management consulting resource to identify means to improve travel management and service delivery, and to identify opportunities to outsource more travel functions, as well as, employ simplified travel policies and disseminate them through newsletters and the Internet.

We have made real gains in identifying reengineered travel policies and practices, and we seek rapid progress in their implementation. We hope to have a continuing support of this subcommittee and the cooperation of tax policy experts to bring this effort to fruition.

Mr. Chairman, I thank the subcommittee for the opportunity to provide this statement. With your permission, I would like to answer any questions that you have at the conclusion of Mr. Charney's remarks.

Mr. HORN. We thank you very much for that testimony and the excellent report, "Improving Travel Management Government-wide," which you have submitted. That would be made a full part of the record, of course, as will all of the statements that we have this morning, as well as your own summary of the testimony.

Now I am glad to call on Dr. Hamre, the Comptroller of the Department of Defense.

Dr. Hamre.

Mr. HAMRE. Good morning, Mr. Chairman. Thank you very much for inviting us to participate in this hearing. May I also say I look forward to this hearing. I think it is a testament to the kind of leadership you have been bringing to this committee, really making alive the name of this committee, Government Reform and Oversight.

I think this is a good example of the kind of concrete steps that can be taken. We need your encouragement to keep us doing this. There is a lot of enthusiasm for this. As I was saying to Mr. Brasher this morning, it is opportunities like this that help build the consensus in the Government. We really do appreciate your inviting us.

Mr. HORN. We appreciate all the efforts this panel has made to lead the way in this.

Mr. HAMRE. Mr. Chairman, I would like to speak to travel re-engineering as we look at it in the Department and make one specific comment about your legislation.

There are only two athletic events you win in the world by backing up. Unfortunately, one of those, tug-of-war, is what we do in Washington and politics all the time. We spend all of our time in Washington backing up, trying to pull the other person in our direction. This is a refreshing change of pace, and it has been a change for everyone.

Jack Brock was here at the first session. I can't tell you how many hearings I have been at where invariably it was a tug-of-war hearing where the first witness was GAO, and I followed up, and we were pulling all the time. But we are all in the same Government, and we are all supposed to be on the same end of the rope, pulling in the same direction in travel engineering.

I have seen that happen with GAO becoming our genuine partners and finding solutions, working with our colleagues who really have good ideas and have led the way, and frankly your help in leading us in the same direction. So this is an opportunity to go beyond just the need to change travel. I really think it is a model for how in the 1990's the Government ought to be a functioning tug-of-war in the right sense where we are all on the same end of the rope.

We had to start over from scratch when we did it in the Department because the system was created over the years not as a single act of an intelligent creation, it just accreted over time. We set up a system that was designed to avoid the occasional horror story that would come out, and so we created this bureaucratic morass of paper and clerks and processes, as Jack Brock said earlier, 50 steps in a process, mountains of paper, 3,000 clerks, all designed to cover your butt when a problem came up. That way it wasn't my fault; it was the system.

So there is no way to patch things. We have to start over, and the starting point has to be—a travel system has to start with the assumption that travelers are honest, and supervisors are responsible. And we are going to put the burden on them for managing their own funds and give them the tools so they are not managing the mechanics of travel, but really rendering the decision is this travel important, is it cost-effective, is the right person going, do I have the right controls?

That's been the centerpiece of our efforts. We have been working with our partners, with GAO and others. I would especially like to thank GSA. They have been extremely helpful in working with different waiver requests and different things we have needed to tackle.

Sir, we think your legislation is a very important step forward, and we really do need it. May I please—it has always been awkward for me to ask for one little thing. May I ask you to look again at a waiver we would like to see included, if you would consider it. That is for a recording requirement as it relates to the Fire and Safety Act. This was passed by Congress as an important step years back when we were having the hotel fires, and it required us to report to us every year the number of nights we had people staying in hotels and motels where it met these standards or did not meet these standards.

We understand why that was created. Our new travel system is going to embed this requirement in the very process. And so we are

not going to let a commercial travel office even offer a hotel that doesn't meet the fire and safety standards. So our view now is that the requirement for an independent report would be irrelevant because we have embedded the concept and spirit of that legislation into our whole process.

So I would ask you go back with your staff and take a look at this, and would you consider giving us this waiver for this reporting requirement. We feel it is totally redundant. Our new report would say it is 100 percent because we won't let anybody book a reservation unless it meets this criteria. So I would ask if you could consider that. That is the only thing we feel would be very helpful.

Other than that, sir, let me thank you again for your leadership here in the House in bringing this important issue before the body and for helping us as a government really pioneer new steps of cooperation for a better government that is going to be more efficient. Thank you, sir.

Mr. HORN. We thank you, Dr. Hamre, for all the reforms you are doing in the Pentagon. Obviously one question I am going to ask you when we have heard the two other witnesses, is the sort of every-2-year-transfer in some parts of the military, and let's see where we are there.

[The prepared statement of Mr. Hamre follows:]

**UNDER SECRETARY OF DEFENSE  
(COMPTROLLER)  
JOHN J. HAMRE**

Mr. Chairman, members of the committee, it is my pleasure to be here to address you concerning the status of the Defense Travel Reengineering initiative.

**Travel Reengineering in DoD**

The Department of Defense is in the process of taking apart our old, outdated business travel system and building an entirely new one, employing the best business travel practices available. Our vision is a seamless, paperless system that: meets the mission needs of travelers, commanders, and other travel resource managers; reduces the cost of travel; and, provides superior customer service. Today, I am happy to report our progress to you on the path to that new travel system, and to ask for your help in achieving success. We have made great progress in many areas, ranging from fundamental cultural changes to cutting-edge technological improvements. Although we have made major improvements in the travel system, the journey, however, is not yet complete.

We have ten guiding principles that underpin this change initiative. Briefly those principles that are embodied in our concept of operations are:

1. Travelers and supervisors are honest and responsible.
2. Allow the supervisor to control his or her travel budget and approve vouchers.
3. Implement simple clear rules to govern travel.
4. Rely on one-stop shopping at a commercial travel office.
5. Consolidate the process into a single piece of paper.
6. Eliminate bureaucratic burdens on travelers.
7. Ensure prompt payment by government.
8. Minimize bookkeeping requirements.
9. Use best industry financial practices.
10. Continuously reassess for improvements.

These principles can be categorized into these three major areas: simplify the rules, delegate authority, and use best industry practices. All of the improvements we have made are based upon the fundamental premise that our travelers and supervisors are honest customers of the system.

**Pilots**

In order to test these principles in an operational environment, the Department has embarked upon a pilot testing process at 27 different sites representing each of the Services and several Defense Agencies. In June 1995, we had a conference with all of the pilot test organizations to begin the test process by providing them a general orientation to the new concept of operations as well as the specific guidance they would employ in their tests.

In September 1995, we invited representatives from industry to demonstrate vendor capabilities for personnel from the pilot test organizations. Personnel from the pilot organizations were able to examine the available software enablers and begin to finalize their test plans. It was very clear that even the private sector did not yet have all of the answers; we were clearly charting



some unexplored territory. At the conference, vendors developed new partnerships among themselves, consolidating their areas of expertise, to be able to meet the needs of our new concept.

A third conference with pilot organizations was held in January 1996 to review their progress-to-date and begin to resolve barriers they had encountered. Most of the pilots were actively engaged in testing key travel system attributes such as the delegation of travel approval authority, reimbursement via electronic fund transfers, and random audit of vouchers. Most of the pilots had selected one of five major commercial computation software programs to test. Pilot organizations also reported that the seven commercial vendors currently providing travel arrangement services would also be supporting their tests of the new concept. The barriers most commonly reported by the pilots were: electronic signature capability, receipt retention by the traveler, the validation of software enablers, and educating managers and travelers about their responsibilities under the new travel system.

The value of the pilot testing process is that it will provide us with an accurate baseline of the current travel process from which we will be able to assess the impact of the changes we want to implement across DoD. It also has provided lessons learned on software validation, systems connectivity, and lead times to implement system changes and policy changes necessary for implementation. In other words, the pilots will serve as the means by which we establish "proof of concept." Our performance measures are direct costs, indirect costs, accomplishment of mission needs, and customer satisfaction.

The Department is establishing baseline data for the current travel process at each of the 27 pilot test organizations. The measured process begins with the initiation of a travel order and travel arrangements and it ends with reconciliation and payment of a travel voucher. Preliminary data collected and reported by several organizations suggests that the number of steps for preparing and approving travel orders and for preparing, computing and reconciling vouchers varies across organizations. The number of people, amount of time and associated cost to prepare and to process travel orders and vouchers also vary. Raw data reported by pilot organizations that are just beginning to implement travel reforms and software solutions indicate the current process takes -- excluding the traveler's time -- an aggregate of roughly 2 to 11 hours to complete with estimated labor costs of about \$45 to \$300 at CONUS sites, excluding group travel orders and claims. One OCONUS site estimated the process to require 16 hours for completion, and \$425 in labor costs. The raw data being received from pilot sites are being analyzed in an effort to account for differences in processes, methods, and practices. Reporting and verification of baseline data for the current travel process should be completed by July 1996.

The total expected monetary investments in technology and training to achieve a fully automated and integrated DoD-wide travel system have not been established. However, costs will be estimated as part of the acquisition planning process. Although total monetary investments for the new Defense Travel System have not been established, planned costs for the 27 pilot organizations to fully implement and test the reengineered TDY travel concept are estimated at \$4.1 million. This estimate includes the costs to acquire hardware and software, and to train approximately 32,000 travelers and users served by the pilot test organizations

We intend to collect the best data possible for our current and our new processes before implementing the new travel system. Let me now discuss with you the progress we have made to date in each of the major areas described above, the remaining barriers, and the steps we have planned toward implementation.

### Simple Rules

Last year, Senator, you noted that waste most often occurs due to rigid rules and archaic procedures, not due to ill motives. We have taken that advice to heart. I then provided you a copy of our simplified entitlements. We have reduced a large, complex body of regulations down to those 17 pages of plain English that focuses on mission, provides discretion, and places accountability with a person we call the Authorizing Official, who is the manager in the field responsible for the traveler's mission. The use of all of these entitlements is currently authorized only for the 27 pilot organizations until the new Defense Travel System becomes a reality. However, we have been able to implement some of these simplifications throughout DoD beginning Fiscal Year 1996. These include:

**75% M&IE First and Last Day:** Rather than go through complex computations about time of departure and return on the first and last day of travel, we now authorize 75% of the M&IE as the standard reimbursement. The traveler now knows what to expect in terms of reimbursement and we have simplified the computations.

**\$75 Receipt Threshold:** We no longer require the traveler to retain receipts for travel expenses less than \$75 with the exception of lodging receipts, thanks to the IRS change in policy. This reduces the burden of record keeping.

**Paper Non-Availability Statement:** One of the most common frustrations of the DoD traveler has been the requirement to obtain a paper non-availability statement from installation billeting offices when not staying on post. It is a time-consuming and bureaucratic process that is unnecessary in an age of electronic reservations. Last fall, I approved a policy change which eliminates this requirement if the traveler cannot establish a reservation with the billeting office prior to departure.

**Per Diem Delivery System:** Closely related to the simplified entitlements that I have just discussed are the timely and accurate posting of travel per diem rates throughout the federal government. This is a joint responsibility of the Department of State, the General Services Administration, and the Department of Defense. Currently, the distribution of this important rate information is paper-based, time-consuming, error-prone, and it will not support electronic updates of the automated computation systems we envision. We are working with these federal agencies to be able to electronically process per diem rate information. This new system will minimize errors due to the re-keying of data and ensure travelers are provided accurate per diem entitlements in a much more timely manner government-wide.

### **Delegate Authority**

The current practice in many DoD organizations today is to control the funding authority for official TDY travel centrally. Commanders who direct and authorize travel do not always have accurate management information on funding availability, and therefore cannot make informed choices on the use of those resources for travel in support of mission requirements. Furthermore, missions directed by the Joint Staff or other outside taskings resulted frequently in a two-step process with fund citations to support a mission coming at a later time than the tasking. This disconnected procedure introduces last minute administrative delays and paperwork foul-ups.

To overcome this problem, we issued a policy directive that henceforth the authority to obligate travel funds will be delegated to the level consistent with the authority to approve travel in the Department. Authorizing Officials will be given their own travel budgets to manage. For the first time line managers will have both the responsibility and the resources to actually manage the travel function. To make this work, we are planning to provide timely and accurate management information on funding availability status electronically to those supervisors who authorize and manage TDY travel. Secondly, in the case of taskings from external organizations, funding guidance or a fund citation must now be provided along with that direction. This will prevent a paperwork intensive and time-consuming reconciliation process after-the-fact. We believe that these initiatives will effectively enhance the responsible use of travel resources and eliminate some of the burdens that infect the current travel process.

Effective Fiscal Year 1996, we have also simplified the accounting practices associated with our travel expenses. DoD replaced 30 different accounting codes with just one or two codes. This makes the budget process more "user friendly" for Authorizing Officials and eliminates the complexity of our current accounting procedures. This facilitates the delegation of budget authority to Authorizing Officials by not requiring them to act as budget clerks in determining which object class code is appropriate for every travel request approved.

### **Best Industry Practices**

#### **One-Stop Shopping for Travel Support**

In our survey of best industry practices it became clear that one-stop shopping for services with a commercial travel office was the preferred approach. These services include: (1) the one time entry of data; (2) the use of a single document used for both travel authorization and voucher approval; (3) electronic or "paperless" processing; and, (4) the automatic computation of both a "should cost" pre-travel estimate and post-travel "did cost" voucher request. We have two challenges here. The first is to produce an integrated travel system that provides for these services. There are commercial software products or "enablers" available that, with some modifications, will allow us to perform these functions. The second challenge is to provide a



single channel of information to travelers for all arrangements including Government lodging/messing facilities, per diem rate information, and other Government furnished information required to make travel arrangements. The pilots are helping us to determine the extent of industry capabilities to perform these functions. The emphasis is on obtaining those services that the commercial travel industry currently provides to its best private sector customers -- not on developing unique DoD system requirements. We want to remain sufficiently flexible to take advantage of the new products and services being offered commercially, rather than lock into requirements that do not evolve with industry innovations.

### **Travel Card**

The best practices we studied in corporate America indicate the use of a corporate travel charge card is essential. This gets the employer out of the business of maintaining an overhead structure to provide travel advances to the traveler and ultimately a corporate card makes the travel process much easier for the traveler. We have issued policy to maximize the use of the government-sponsored travel card, currently the American Express card, for all expenses associated with official business travel. DoD travelers will use the card to obtain cash advances from ATM machines as well as to charge their hotels, rental cars, meals, and other expenses. This has been a significant cultural change for a population of travelers used to traveling with cash. We have also developed and implemented a training program for all travel card holders to ensure they understand the proper use of the card. I support the goal of required use of the government-sponsored charge card for travel, when it is in the best interests of government. As of May 1996, charge cards have been issued to 850,000 DoD personnel, an increase of 22% from a year ago. We want to achieve, however, an improved record of timely payment by personnel in conjunction with program expansion. I also support the position that government should have full access to all information derived from charge cards issued for official government use.

### **Prompt Payment**

Best practices also demand we use to the greatest possible extent automated computation capabilities with built-in policy compliance checks that ensure reimbursement of travelers. Prompt payment of travelers will help ensure that the travel charge card vendor is paid on time. These initiatives are designed to exploit the fullest potential of electronic transactions.

**Electronic Funds Transfer:** The Department of Defense now requires that travel reimbursements be paid to the traveler by an electronic funds transfer (EFT) to his or her financial institution; just like their pay checks. EFT allows us to both reduce the costs associated with reimbursements but also to speed up the reimbursement to the traveler. This policy was effective October 1, 1995, for DoD personnel. Where systems are capable of paying by EFT, our EFT travel reimbursements have gone up from 25% to 47% over Fiscal Year 1995. We anticipate this figure to increase to 90% by the end of this calendar year as system changes are made to accommodate EFT transactions.

**Split Disbursement:** Much like EFT, split disbursement is where the traveler can elect to have the finance office electronically pay the government travel card vendor directly for the charges that are on his or her travel card, the balance of the reimbursement would be transferred electronically to their personal financial institution. This will greatly simplify a process that requires the traveler to wait for the reimbursement before sending a check to the travel card company. Our finance centers are developing implementation requirements for the testing of split disbursements at our pilot sites. We have been working with the current vendor, American Express, to ensure that financial data will be exchanged appropriately.

**Third Party Pay:** A third and final electronic funds transfer initiative that we are testing concerns having a commercial vendor make payments directly to the travel card company. DoD would then reimburse a single invoice. This would cut yet another step from the payment process by relieving the government finance office of making those payments. Our finance centers have prepared the necessary test procedures. If this proves to be a viable course of action, third party pay throughout DoD could result in privatized payment.

### **Random Audits**

Another major improvement initiative was to establish procedures for the random examinations of travel vouchers in lieu of examining 100 percent of the vouchers. Effective October 1, 1995, disbursing offices within the Department began to move to random examinations. These quality assurance reviews, together with other audits as needed for oversight and control, should yield stronger controls at a reduced cost.

Achieving the accomplishments to date has been a collaborative effort across government. I must commend to you the GAO, GSA, and IRS for their support and cooperation in overcoming regulatory barriers and adopting better business practices. Many of these barriers were built for the best of intentions at the time they were constructed. The dismantling of them can run quickly into some plausible reasons for their continued existence. Reasoning our way through the changes needed to bring them up-to-date can be a tortuous process for both the regulators as well as those being regulated. We still have some outstanding requests to IRS, GAO and the National Archives and Records Administration that will enable us to support a paperless process and reduce bureaucratic burden. However, the regulatory agencies on the whole have worked very hard with us to ensure the necessary controls yet allow us the necessary flexibility to ensure the travel mission is conducted more efficiently. I also commend the work of the Joint Financial Management Improvement Program in providing government-wide leadership to simplify and modernize travel management in government.

### **Project Management Office**

Now for the future. I am very happy to report that in order to move out on this initiative, DoD has established a project management office for the Defense Travel System headed by Col. Albert Arnold. This office will take all recommendations from the DoD Travel Reengineering Task Force and, coupled with lessons learned from the pilot sites, implement a DoD-wide solution

that utilizes best industry practices. A draft standard DoD solicitation was released on December 7, 1995, that asked for industry comment to help us refine our requirements in accordance with these best industry practices. We feel that the best way for DoD to implement evolving travel management services is for us to take advantage of the wealth of non-government experience. The travel industry is evolving and it makes good sense for DoD to capitalize on this evolution, and build a partnership with industry that will last well into the 21st century. Considering the extensive positive comments we received from industry in response to the December 1995 draft solicitation, we are in the process of reviewing our requirements and acquisition strategy. We are also continuing a dialog with industry to ensure we keep pace with evolving changes.

I can assure you that we are listening to what industry has to say. They are the experts. DoD does not want to design a travel system, but wants instead to ride the travel industry's bow wave of technology. I firmly expect the meaningful dialog we are having with industry to continue over the next few months. A little more time taken up front will surely reap bigger dividends in the future, for both DoD and industry. The ultimate success of this project depends on the strong partnership we forge at the beginning.

### **Remaining Challenges -- Legislative, Technological, and Cultural**

It is clear that we have done much already. However, as I stated in the beginning, we are not there yet and some significant challenges remain. They fall within 3 major areas: legislative, technological, and cultural.

#### **Legislative Challenges**

While it has been within the authority of government agencies to streamline many outdated administrative practices, we need Congressional support to remove statutory barriers in other areas. These include:

*5 United States Code, Section 5707.* Our proposal seeks to amend only the reporting requirement of the Fire and Safety Act. This amendment would eliminate the requirement for travelers to provide information to agencies, which in turn report the percentage of roomnights that employees on official travel spend in hotels/motels which do not meet the fire safety requirements in the statute. Safety requirements will remain in the reengineered travel concept of operations. However, we will require that Commercial Travel Organizations only book rooms in hotels or motels that meet the fire safety requirements.

*10 United States Code, Section 1589.* We propose the repeal of statutory language that prohibits DoD from paying a lodging expense to a DoD civilian employee who does not use adequate available government lodgings while on TDY. The statutory language does not permit flexibility by the resource manager to determine, on a case-by-case basis, the most efficient and cost-effective utilization of total travel dollars. For example, it does not allow consideration of car rental costs between government lodging and the TDY mission locations; it does not consider

the total costs of providing government lodging, such as building construction, maintenance, and utilities. These costs are paid by other DoD appropriations that are not visible either to the traveler or to the local resource manager.

*31 United States Code, Section 1348.* We propose the elimination of requirements enacted in 1939 for separate receipt documentation and certification of long distance telephone calls. These "Telephone Act" requirements were enacted at a time when long distance telephone calls were not a part of standard business practices. In today's business environment, however, the costs of documentation and certification greatly exceed the costs of the average official business telephone call.

I would also like to underscore that many of the reforms offered by the Joint Financial Management Improvement Program initiative, to provide broader or government-wide improvements, require your support for legislative changes. Enactment will give federal agencies the flexibility to test and adopt more efficient and effective business practices.

### Technological Challenges

*Electronic Signature* -- A seamless, paperless system is our vision. An essential element to accomplish this vision is to ensure that the necessary data integrity is maintained since this system will result in disbursement of public funds. Electronic signature technology appears to provide a method that can be used to provide the necessary integrity and allow us to comply with requirements of the False Claims Act. We are currently studying how we can achieve the necessary level of data integrity in a cost effective manner. In order to reduce development risks and costs, we are working closely with the General Accounting Office, National Institute of Standards and Technology, and the Department of Energy to develop the necessary specifications for a standardized electronic signature system. Although this system will be utilized for travel, it can also be used for a variety of other applications and is based on the Digital Signature Standard. GAO has recognized that the issues surrounding data integrity in an effort such as ours is complex and specific features needed will continue to evolve as more experience is gained. In order to allow us to gain the information that we need to define the controls necessary to achieve a paperless system, GAO has approved our testing of some commercially available products.

*Industry issues* -- One of our initiatives is to employ best industry practices, such as standards for electronic commerce, and apply them to our new DTS. Our pilot experience has underscored the need for a sophisticated understanding of the capabilities and limitations of our communications and data processing infrastructure. Our future system will have to provide service in a wide variety of operational environments. Our tests have demonstrated that some of our communications and data processing infrastructure must adapt in order to employ the best industry practices. As industry progresses towards greater reliance upon electronic commerce methods, the Department must likewise remain flexible enough to move with it.

One of the unanticipated technical barriers encountered during the pilot phase has been the time required to update the software modules with new entitlement rules and to ensure that those

changes are accepted for processing payments by our accounting systems. Since entitlement changes occur on a regular basis, this is an issue that needs to be worked.

Additionally, travel industry conditions are changing so rapidly that it is taxing our ability to predict the costs of future travel services. For example, the commission structure of the travel arrangements industry is changing, with potentially significant implications for our future costs.

### **Cultural Challenges**

Beyond the specific legislative proposals and technological challenges that I have outlined, there are some "cultural barriers" that hamper our ability to achieve our travel reengineering goals. Perhaps foremost among these barriers is the oversight mentality that would have the Department spend \$100 in establishing rigorous internal controls to oversee a \$10 problem. We need to emulate private sector practice of systems control, random audit, and supervisory accountability. We need to ensure that requirements such as signatures add value to the process. Best practice in industry for filing vouchers does not require --or pay for -- fail-safe or multiple signatures as a condition for reimbursement.

Here is where Congressional leadership can help to set the tone by applying cost/benefit analysis principles and common sense to oversight and internal control requirements. By treating the DoD traveler and his/her supervisor as honest customers, we have deliberately designed a system that is not oriented around stopping the 2 percent "bottom feeders." The costs and systems complexity required to target that population should not be allowed to drive the features of the Defense Travel System. Here again the pilots will help us to assess the strength and viability of the internal control features of the new system. The lessons learned from their experience will provide an invaluable tool with which we can develop rational and cost-effective control alternatives.

### **Conclusion**

I would like to conclude my testimony today on a very positive note. The Department of Defense remains highly committed to this important reengineering effort. We have made significant progress in a very short period of time. Given the scope and complexity of the operations in this Department and the changes underway in the travel industry itself, I would go even further to characterize the progress as extraordinary! I will admit to you, however, that this change effort has been much harder than we had anticipated. Your leadership in achieving legislative support for the change environment is critical for success.

I would ask for the support of this committee and I count on the support of the other federal agencies I have mentioned today as we come closer to the actual implementation of our new Defense Travel System. I would be happy to now take any questions that you may have.

Mr. HORN. In the meantime let's move to Mr. Wagner, the Associate Administrator, Office of Policy, Planning and Evaluation, General Services Administration.

Mr. Wagner.

Mr. WAGNER. Thank you, Mr. Chairman. Rather than simply repeat my written testimony, if I could just amplify a few points in it.

First, we really do appreciate your leadership in this area because this really, as Dr. Hamre pointed out, has been a joint effort not just in the General Accounting Office in the executive branch, but also in the Congress, and you have here a bill that will save the taxpayer hundreds of thousands of dollars going beyond what the administration submitted, also adding additional savings opportunities.

I would like to observe that it was also an excellent model that we in the Policy Office of GSA are looking to implement in many other areas, and by that it was not command and control, we sit on Mount Olympus and send down pronouncements, but we work through the customers to develop with them—to develop a better system and approach than that that existed before.

Now, the details of the legislation are covered in my written testimony, but in essence we see the savings as coming about through making simpler processes, more flexible processes with better incentives. Another way you might say that is that it also brings management processes into current management practice rather than the procedures that have accreted over many decades.

If I could just pull out one example, the Telephone Act of 1939 imposed certain certification requirements that have been mentioned earlier that were written at a time when a long-distance telephone call was a very expensive item. Today it is just another business expense.

Now, rather than simply point my finger at legislation, I have to admit we have the same problems in our own regulations. We are currently working on—I am amazed we haven't managed to take care of it yet—of eliminating the requirement for an invoice no matter how little money is spent on steamer chairs, steamer blankets, and for steamer cushions. Frankly, I am not sure when we ever rent or buy those things because we use airplanes today rather than steamships, but it is still there. We are also working to clean our own house as well as supporting you in this important legislation.

I would also observe one addition that you have added could help greatly in the monetary savings. We are finding that credit cards are an extremely useful way of reengineering our business process. There has been a lot of talk about the 0.65 percent that we currently get in terms of rebate from using our current travel card contract, but the real savings are by using the card itself because it gives us administrative savings and better accountability. And by your bill giving the Administrator of GSA the authority to require it—and by the way, I would stress requiring use of the card rather than use of a specific GSA card because, frankly, this technology is changing fairly rapidly, and the solution we have in 5 years may differ somewhat than the solution we are using today—that will help us achieve more of the savings than we currently get.



If I could also add, to amplify on Dr. Hamre's point, we do see a lot of value in the Defense Department's recommendation on fire safety. We all support fire safety. We think that is the right way, that we only should be staying in the appropriate hotels, but when you put that burden on the traveler rather than on the system, we achieve it through higher administrative costs than is necessary. So we would strongly support what Dr. Hamre has said.

If I could summarize, we see this bill as a major step forward to come up with meeting modern management approaches to managing travel. It was done in a collegial fashion with other parts of the executive branch, General Accounting Office and the Congress. It serves as a model for other business process reengineering improvements that we plan to be pursuing in other areas.

I would be happy to answer any questions at the appropriate time. Thank you.

Mr. HORN. Thank you very much.

[The prepared statement of Mr. Wagner follows:]

Mr. Chairman, Members of the Committee, I am Martin Wagner, Associate Administrator, Office of Policy, Planning, and Evaluation, General Services Administration. It is my pleasure to be here before you to testify about H.R. 3637, the Travel Reform and Savings Act of 1996.

This bill is the product of the efforts of many individuals in many agencies of both the Legislative and Executive Branches. H. R. 3637 is the culmination of the Joint Financial Management Improvement Program's (JFMIP) travel reinvention project and resulting recommendations that will allow agencies to better manage travel and relocation, save agencies and taxpayers money, and provide agencies the opportunity to improve service to travelers and the relocating employees. Additionally, H. R. 3637 contains five other provisions related to travel and relocation that GSA as the focal point for Governmentwide travel and relocation policy has sponsored. I appreciate the opportunity to amplify on all these efforts.

### **Title I -- Relocation Benefits**

Title I of the legislation reflects the central legislative theme of the JFMIP travel reinvention effort. Its purpose is to provide employees who transfer in the interest of the Government a more effective and efficient delivery of relocation allowances, alleviate the administrative burdens associated with processing travel and employee relocation, and reduce travel and relocation costs. These sections in Title I would:

- eliminate unnecessary paperwork requirements and cut red tape;
- humanize the treatment of employees who perform official travel or are relocated by the Government by creating parity with their private sector counterparts;
- save agencies and taxpayers money;
- modify the allowance for seeking permanent residence quarters, the temporary quarters subsistence expense allowance, and reimbursement for residence transaction expenses;
- provide authority to pay for employment assistance services for the spouse of a transferring employee, property management services, transportation of a privately owned motor vehicle within the continental United States, and home marketing incentives;
- authorize payment for limited relocation allowances to an employee who is performing an extended assignment;
- repeal the long-distance telephone call certification requirement; and



- designates by statute, the Administrator of General Services the authority to issue implementing regulations.

These changes are expected to save agencies a substantial amount of money.

## **Title II Miscellaneous Provisions**

This portion of H. R.3637 contains a number of travel related provisions that stem from the JFMIP's recommended changes to the Federal Travel Regulations or changes that propose amendments to various existing statutes under GSA's purview. Section 201 repeals the 1939 requirement to certify all long-distance telephone calls as being in the interest of the Government. The use of long-distance service would be administered similarly to any other purchase made by a Federal agency and its employees. Significant paperwork and related administrative processes would be reduced or eliminated.

Section 202 conveys to the Administrator authority to require use of Government issued charge cards for all expenses related to official travel. This provision supports the JFMIP recommendation to maximize the use of travel charge cards to reduce the need for agencies to provide cash advances and imprest funds disbursement facilities. Individual agencies may chose to develop their own credit card programs or elect to use one contracted for by another agency. There is also the potential for rebates under contracts with charge card providers; for example, the current GSA contract provides for rebates to agencies of 65 basis points (.65%) for each dollar charged on the card. The electronic data captured when using Government issued charge cards also should facilitate better contract negotiations and improved audit techniques.

This section also amends section 1113 of the Right to Financial Privacy Act (12 U.S.C. 3413) to clarify the Government authority to collect financial records by agencies and organizations participating in Government travel charge card programs. GSA began offering agencies and employees a travel charge card program in 1983. The current program basically is a financial services contract currently provided by American Express consisting of contractor provided charge cards for Federal employees, "cardless" accounts for agencies, and associated operational support in connection with official Government travel. The contract is valued at over \$18 billion for five years and has 1.5 million card users. A crucial contract management feature is that American Express provides regular reports to agencies regarding card use, payment, misuse, and delinquencies on accounts of their agency employees. While we believe the Right to Financial Privacy Act does not apply to a Federal contract for financial services, a specific exemption would clarify the issue and eliminate unnecessary future litigation.

This section will protect the Federal Government's legal and financial interests in administering travel charge card contracts.

Section 203 recommends changes to the audit of transportation services prescribed under 31 U.S.C. section 3726 and related statutes. Section 203 generally requires executive agencies to verify transportation charges through prepayment audits prior to payment unless the Administrator determines that such prepayment audits would not adequately protect the Government. Most postpayment audits would be discontinued as a result. Currently, all invoices, except those for transportation charges submitted on the account of the Government for payment are generally audited by the procuring agency for correctness prior to payment. Based on legislation passed in the early 1940's, Congress permitted the payment of transportation bills prior to audit because agencies frequently were slow in paying these complex bills which required extensive rate verification and tariff audits. In 1986, changes were made to allow GSA to delegate authority to other agencies to audit bills prior to payment when it is cost effective or in the public interest. Also during this period, GSA successfully piloted and has since used prepayment audit contracts and encouraged other agencies to use private sector contractors to audit transportation bills.

Section 204 permits agencies to reimburse employees for income taxes levied against reimbursed travel expenses. In 1992, the tax code was changed to limit the time period for deductibility of travel expense reimbursements to one year. Because of the December timing of the IRS revenue ruling, a number of Federal employees on extended temporary duty travel were adversely affected by this ruling. Federal agencies lack reimbursement authority similar to that used for relocation to pay individuals for the added tax expense resulting from the IRS treatment of these payments of travel expense reimbursements as an increase to wages and salaries.

Section 205 conveys to the Administrator and, in some cases the Secretary of Defense, specific authorities to issue regulations independent to the provisions in subchapter II of Chapter 57 of title 5, U.S.C. Currently, only the President can issue those regulations.

Section 206 requires the changes provided by this legislation to be effective 180 days after enactment. It further requires the Administrator to issue regulations within the same period of time. This would be very difficult if not impossible to accomplish in the stated time period. A very small but highly dedicated and specialized staff is currently working on the regulatory changes recommended by the JFMIP reinvention team. Additionally, this limited staff has been tasked to begin changing the legal style of the Federal Travel Regulation (FTR) to a user friendly question and answer "plain English" approach. I would prefer the effective date of the issuance not to exceed a year from date of enrollment with

the understanding that those regulations that can be easily done will be accomplished earlier and those that are basic entitlement changes will have the highest priority.

In addition to the legislation, we were requested to provide information on the GSA effort to eliminate the paper trail. Dennis Fischer, GSA's Chief Financial Officer and one of the leaders in the JFMIP reinvention effort, has looked at alternatives to the internal GSA paper intensive travel authorization, travel advance, and voucher process. Based on the relative size of this agency and the desire to take advantage of other GSA administrative system enhancements, the following practices are being considered. GSA is considering using longer term travel authorizations up to one year in length, coupled with more informal authorizations for specific trips. Second, GSA also is considering issuing all prospective travelers the American Express travel charge card. This would eliminate the need for travel advance forms and significantly reduce the need for imprest fund services. ATM machines will be used for needed advances. With the JFMIP success in convincing the IRS to raise the receipts threshold to \$75, GSA no longer requires receipts for expenses of \$75 or less except for lodging. Major expenses for airline, hotel, and car rentals will be billed directly to GSA's corporate account (currently with American Express as opposed to the individual's account. This billing serves as the travel documentation and eliminates the need for the traveler to receive and process receipts. It also avoids the payment of taxes on hotel and car rentals, saving considerable Federal money. And for those expenses not covered in the major accounts, the GSA electronic time and attendance system will provide a module to submit and authorize payment of other expenses incurred directly by the employee. Receipts will be maintained at the office site for audit purposes and payments due employees will be made by electronic funds transfer or check.

Finally, I would like to mention several significant differences between the House and Senate versions of the bill and point out two proposals that are not included in either version of the bill. The House version of the bill provides for the following which the Senate version does not: spousal employment assistance, mandatory use of Government charge cards, changes in the Right to Financial Privacy Act, income tax allowance for extended temporary duty assignments, and prepayment audit of transportation expenses. A JFMIP legislative recommendation that is not included in either the House or Senate versions of the bill is modification of the income taxation of moving expenses to obviate the need for the relocation income tax (RIT) allowance. Another proposal not included in either version of the bill is authority for the Administrator of General Services to conduct pilot tests to determine the desirability of implementing new initiatives that would be thought to have a positive outcome. Although not a formal JFMIP recommendation, JFMIP has come to realize the value of pilot tests as a result of its almost two-year study and highly endorses the proposal. GSA supports these provisions and is prepared to offer drafting advice.

In closing, I would like to make the Committee aware of the spirit of cooperation that we have continued to experience throughout this process of reinventing travel. Both the majority and the minority staffs have been very helpful in bringing us to this very important day. They have asked hard questions and provided constructive comments and suggestions. This is consistent with the help provided by the Senate, the Federal community, and the private sector's experiences in developing this legislation based on adopting the best and discarding the worst practices.

Thank you for the opportunity to address this important bill. I will be happy to answer any questions.

Mr. HORN. We will first hear from the Honorable Donald Charney, the Chief Financial Officer of the Agency for International Development.

Mr. CHARNEY. Good morning, sir. I appear before you as co-chairman of the CFO Council/JFMIP Travel Improvement Task Force, and my other co-chairman Sean Allen from GSA. The report which we produced which you have heard about has potential savings in excess of \$800 million.

I would like to cover a few of the paradigms and philosophies which we use. The first one is that all travelers are not crooks. The truth of the matter is most Government employees are not crooks, they are honest.

The rules and regulations were developed over the years for specific purposes, and we feel that these purposes no longer apply. We don't feel that one set of travel regulations apply to every Government agency or every office, so these recommendations which we have optional, agencies or offices can use them if they are appropriate.

We have rules which have an underlying philosophy—if we punish everybody, we can catch a few of the dishonest people—we feel this is no longer applicable. The crook is a greedy individual. He'll do it over and over again. We can catch him, but there is no need for every Government employee to be burdened because of these few people.

The primary one is the rules won't let us do it better. We have found through the joint task force, in cooperation with GAO, GSA, and my fellow CFOs, that when we get together and work, we can change the rules, and this impending legislation is proof of that.

Some of the things that we have attempted to do, we feel you can save more money by re-engineering travel than by all the monitoring and auditing that exists today. The electronic tools enable us to plan travel and to complete the travel process through the payment to the traveler in a much speedier fashion, and we can overcome impediments.

Our objectives are blatantly clear and I think conform to today's business environment. We want to eliminate paper, cut red tape, automate the process, humanize the treatment of the traveler, and save taxpayers money. And I don't think anybody can argue with these basic concepts that we have here.

I don't want to repeat what other people have said this morning because we have all worked on this, but I was asked to present a few of the travel improvements which I have installed at USAID.

We have been able, through simplifying the process, to reduce the staff required to process travel vouchers from 6 to 1. That is a direct cost saving. We used to spend 60 to 90 days processing travel vouchers to employees; We now do it in 4 days. We used to do 100 percent audit of every single travel voucher in the agency; We now use statistical sampling. We have required the use of the Government travel card for cash advances and for other reimbursements and have been able to reduce our cash advance \$5.5 billion to under \$500,000; and I am about to introduce a new policy that says unless you travel to a country which does not accept the travel card, we will not provide any cash advances in any way, shape or

form. Just improving the cash management has been worth the savings.

We are instituting the use of the GSA telephone card, which will reduce the cost of that greatly. As one of the witnesses said, we can no longer afford to spend \$2,000 to catch a \$20 error. It is just not practical.

A number of the recommendations say that if you travel within Government per diem rates established by GSA, we won't need a hotel bill.

We require the individual to keep his receipts for a period of 3 years both for our audit and Internal Revenue audit because we don't want them to have constructive receipt of taxable income. This saves filing costs and processing costs at the agency, and in most instances we are making up to eight copies of every receipt. They all end up in a Federal record center. We don't know the exact cost, but it was a lot of money. It was usually the individual. We would have an individual in the Senior Foreign Service stand in front of a Xerox machine making copies and then distributing them. We found that this is very easy to contain costs.

One of the areas which we are most concerned of is the tax savings referred to as RIT where people received reimbursements because of employee-required relocation or other items. We add tax to it and figure out how much tax they pay on the tax, and it is a very complicated process, adds nothing to the—it is just money going in and out of the Treasury. So we think that is also required.

I don't want to reiterate everything that has been said. The "Improvement on Travel Management Governmentwide" published by JFMIP is now in its third printing, which is fairly substantial evidence to how popular this whole process has been with the Federal Government.

That concludes my remarks, sir. If you have any questions, I would be glad to answer them.

Mr. HORN. We thank you very much for your role in this commendable effort.

[The prepared statement of Mr. Charney follows:]



Mr. Chairman, Members of the Committee, I am Donald K. Charney, the Chief Financial Officer of the United States Agency for International Development. Today I appear before you as the Co-chairman of the CFO Council /JFMIP Travel Improvement Task Force. H.R. 3637, the Travel Reform and Savings Act was introduced as a direct result of that task force's report, "Improving Travel Management Governmentwide." I have a few remarks on the problems with the current travel management environment and the potential savings from the passing of H.R. 3637 and the GSA regulatory changes.

#### Over-Prescriptive Travel Policies:

The Federal Travel Regulation (FTR) establishes Governmentwide civilian temporary duty and relocation policy. Although well-intentioned, the FTR places many burdensome requirements on agencies that do not support agency-unique missions. As a result, agencies have issued voluminous policy interpretations, and requested waivers to the FTR, to tailor their travel policies to specific missions and needs. It is counterproductive to regulate *common sense*. GSA is committed to improve the FTR.

In addition, old statutes such as the Telephone Act add unnecessary costs. This statute requires agency heads to certify official long-distance telephone calls made by travelers on government business. When introduced in 1939 to control telephone costs, it was applicable. In today's environment of low cost telecommunications, it is unnecessary.

#### Tax Implications :

As you know, the IRS raised the receipt threshold from \$25 to \$75, which eliminated the meaningless review of small dollar receipts. There are other tax issues associated with TDY travel that we expect to be resolved. Extended TOY travel exceeding one year and tax issues connected with relocations may be more difficult to resolve. These types of travel benefit the employers, but are considered taxable fringe benefits to the employee. It is expensive to manage; Federal agencies alone spend \$36 million annually to manage the process of tax reimbursements. Costs are far greater in the private sector. The JFMIP proposes shifting the tax liability to the primary beneficiary - the employer. This will simplify the tax code. Recently, the Employee Relocation Council, which represents corporations in relocation matters, provided a letter to JFMIP supporting this type of approach.

### Contractor-service Providers:

Organizations that have the "best travel practices" use contractor-service providers. These service providers can offer a comprehensive array of services at low cost. Increased agency use of outsourced services will streamline agency travel operations and reduce administrative costs to the Government. These service providers can take two forms - a highly efficient agency cross-servicing operation, or a private vendor. In either case, the range of travel management services and costs should be comparable.

### Travel Charge Card.

Almost all Government employees are honest. There are some chiselers that cannot properly use the card, but we should not forget the benefits of the travel charge card. The Government receives float and rebates (.65 %) for using the card. Problems must be managed through training and/or disciplinary action. All employees should participate in this program to maximize the governmentwide benefits, which greatly outweigh the liabilities.

### Disjointed Processes:

Many of today's travel processes are manually-intensive and disjointed. Often, travel data is repetitively entered on several different paper forms. The JFMIP recommends a seamless travel process that begins with identifying costs before the travel is taken. This approach applies to both TDY and relocation travel. Coupling this approach with the use of vendors that can provide accurate and timely cost information and the government charge card will greatly streamline the travel process.

### Incentives:

The JFMIP recommendations include modest incentive provisions that have been successfully used by the private sector. These incentives have enabled private sector entities to reduce administrative and direct travel costs, and to reward travelers for personal sacrifices. This approach is no substitute for proper management; it, however, is an optional tool to further reduce costs by using the traveler to find ways to contain travel costs.



SAVINGS:

A great majority of the TDY savings will be derived from administrative cost containment. After all of the TDY recommendations are fully implemented, we expect the government to save \$36.6 million in direct costs, and \$467.1 million in administrative costs.

The nature of relocation cost reductions are just the opposite of TDY travel. Most of the savings will be derived from direct cost reduction, when the recommendations are fully implemented. We expect agencies to save \$285 million in direct expense, and \$70.5 million in administrative expense.

Combined administrative and direct savings for TDY and relocation travel exceed \$800 million. We propose delivering TDY and relocation benefits in the government similar to that in the private sector. To achieve the full magnitude of savings, we need the continued support of the Congress and tax policy experts.

At this time, I wish to just mention how we are implementing some of these recommendations at USAID and the benefits. We have reduced the time to reimburse travelers from 30 days and six voucher examiners to four days and one examiner. The number of approving signatures on travel documents I have reduced from seven to three. We are installing a commercial travel software program that will be paperless with electronic routing and electronic signatures. Until this bill is passed and the FTR is changed, we can not implement all the recommendations at this time.

This concludes my prepared remarks, I would be pleased to answer questions you or the other members have at this time.

Mr. HORN. Let me go back to Mr. Wagner a minute. As I recall, I mentioned to former Administrator Johnson probably early in 1995, why do I get five copies of an invoice when I have to sign a voucher in my office for some supplies coming out of GSA? Have we solved that so we give them one invoice; if they want more, let them go Xerox it? Why should GSA put that many copies of an invoice?

Mr. WAGNER. I am afraid I don't know the answer to that question.

Mr. HORN. Take a look at it. I think it was the St. Louis center or something where supplies come out of there.

Mr. WAGNER. Could well be.

Mr. HORN. Take a look at it because I could save four out of five trees that way, and every little bit of progress helps.

Mr. WAGNER. We might also try to do it electronically. If we do more electronically, we save even more trees.

Mr. HORN. You are absolutely correct.

Let me ask a few questions before I ask the acting ranking minority member to pursue his questions.

Ms. Robinson, did the effort you head examine making use of the Government travel charge card mandatory? Did they review that? Do you want it mandatory or what?

Ms. ROBINSON. We use the language "strongly encourage," and we use language "require," and we talked with DOD and a lot of other agencies, and we understand that there are some circumstances where it is just not absolutely the best course of action to say that it must be mandated at this time for everybody. We do strongly encourage the use, and we think that using language like "require" will satisfy the best needs of Government.

Mr. HORN. Well, there are some cases where they just prefer to operate on a cash basis for various reasons, overseas or whatever.

Ms. ROBINSON. We tend not to be too sympathetic for just preferences. We are trying to look at savings for Government and efficiency as a whole, and we try to think about the specific examples. I do recall one from DOD, and I am sure if I speak out of turn Dr. Hamre will correct me, but they do have military recruits, they have people on brief assignments maybe 3 months, maybe 6 months.

It is not always cost-effective or feasible to insist that everyone must use the card for some very short term or unusual assignments. There are a few places where the cards are not accepted. There are just a few circumstances where it just would not be feasible to say that it must be absolutely mandated from this day forward. We do hope and we expect, and based on the observations that we have made with the agencies we have worked with, everyone seems to be moving toward the goal of using the card.

Mr. HORN. Did the Joint Financial Management Improvement Project look at the agency practice of rotating people in a certain time period, which gets back to either experiences that they want various individuals to have and obviously the military. I would like to hear Dr. Hamre on that, and to what degree, if any, could a change be made which would reduce the speed with which they go through an assignment and therefore have to have travel orders to go somewhere else? In other words, it would lengthen the tour a

year or so. Would that save money? Does that wreck the personnel system?

I am just curious what the thinking is in agencies as a whole than the military in particular.

Ms. ROBINSON. We did not examine that area specifically. I would expect that we might look at that when we are working on human resource development issues, but we did not go into that in the travel review effort.

Mr. HORN. Dr. Hamre, you want to comment on that?

Mr. HAMRE. Sir, if I may.

This is a much more complicated issue because you are getting to the core of the force management, career development, and how you grow battalion command sergeant majors and division commanders over time.

I wear two hats: I am a chief financial officer. I am also the comptroller. As the comptroller I am always looking for ways to hold down costs. This is very much an issue of are there ways we can hold down our travel and transportation costs if we could use rotations.

There is much more diversity than is immediately apparent in the Department of Defense. We have certain assignments where you are assigned only for a single year. You go to Korea, that is a 1-year assignment. We don't put people there more than 1 year because of the conditions and other things. In other places, for example, we are experimenting with a program, we would stay in the Norfolk area for up to 12 years.

We are trying to bring in more diversity in the way we do manage, but the criteria is not to minimize transportation or travel costs as much as it is for us to be able to enhance overall ability to manage the development of people. Part of it—the extra problem—it is not just the Government's need here in developing people, it is also individuals and their personal incentives and how they would like to advance in their careers, and their expectations of things that you will do in your career if you want to be promoted to be a colonel. And for us to arbitrarily say we are going to freeze people is going to be viewed by many of our best people as being a career—a block to enhancement or advancement in their career.

We have to struggle with that. I'm not sure an arbitrary form would necessarily work for us. The financial pressure is with us all the time. As I said, I would be glad to come back and give us examples of some of the experiments where we have prolonged tours in areas where in career fields we feel that that is the best way to manage, but I am not sure that just an arbitrary—you can't move any more frequently than once every 3 years. That would be very dysfunctional.

Mr. HORN. I am sympathetic with that answer. On the other hand, I do remember where a lot of officers were rotated very rapidly through Vietnam to say they served in Vietnam. I say that is counterproductive to any effort in Vietnam and costs more.

Mr. HAMRE. We took the position in Bosnia right now that people would be there for a tour, it would be a year assignment. We are not going to rotate people through so they can get a campaign ribbon.

Mr. HORN. I think that is commendable.

My colleague to the left, Mr. Brasher, said that when he was in basic training, the Army required him to receive his pay in cash rather than through direct deposit. His DOD prevented electronic payments as part of its travel system.

Mr. HAMRE. We really did that to make sure Mr. Brasher's hair was cut short enough. That was the primary reason we made him show up for his cash.

Our mandate is for EFT, and 98 percent of all of our people are paid electronically through electronic funds transfer. As a matter of fact, the first thing you do when you are a recruit, you have to sign up and have a bank for your deposits. We make no new payments to recruits with cash or check; it is all done with EFT. That is the Government's preferred course, and I believe the Debt Collection Act you just passed requires that everything be by EFT.

No, sir. If we could sign Mr. Brasher up again, we promise he would get his money electronically.

Mr. HORN. I will take that motion under advisement.

Keep sending those questions, Mark.

Any other thoughts here?

I want to pursue with Mr. Wagner before I turn to Major Owens. You had a very succinct paragraph. It isn't the penultimate one, but it is the one right before it. You said: I would like to mention several significant differences between the House and the Senate versions of the bill, and point out two proposals that are not included in either version. The House version provides for the following, which the following Senate version does not: spousal employment assistance, mandatory use of Government charge cards, changes in the Right to Financial Privacy Act, income tax allowances for extended temporary duty assignments, and prepayment audit of transportation expenses.

Now, I take it—do you support those basically is my question?

Mr. WAGNER. Yes, we do.

Mr. HORN. Are there any other things we should add that we haven't added?

Mr. WAGNER. I think I have already mentioned the Defense Department's fire safety recommendation. That would be the only one I would add at this time.

Mr. HORN. Then we note that the joint task force legislative recommendation that is not included in either the House or Senate versions of the bill is modification of the income taxation, that and moving expenses, to obviate the need for a relocation income tax allowance. Can you elaborate a little on how that works?

Mr. WAGNER. This is whenever we get into tax areas, I find myself—I am sure I understand it, then about 10 minutes later I am not positive I do anymore, so I may need to augment the record on my answer here.

As I understand it, when you move, there is a taxable component. Internal Revenue Service treats the payments we make for relocation as income. Therefore, we add on to that amount of money for direct payments an amount of money to pay the taxes on the additional payments then, because nothing is simple, you get taxed on that additional amount, and it is literally—I have to go back to college. You have an infinite series to calculate, and you end up coming up with this tax payment on top of it.

And what the—where this gets fairly complicated—it is administratively complex—there is a fair amount of interest in moving the tax burden onto the moving entity rather than the employee, and through that we could come up with an administratively simpler solution, which is roughly revenue-neutral, without some of the complexities.

If I could augment that comment with some more specifics by experts, I would appreciate that opportunity.

Mr. HORN. Fine.

You say here another proposal not included in either version of the bill is authority for an administrator general serving to conduct pilot tests to determine the desirability of implementing new initiatives that would be thought to have a positive outcome. Now, do you have some language for that that you want included?

Mr. WAGNER. We spent some time on that. We pretty much—the conclusion of the group around the table was there was a lot of value in pilot tests, and we probably had the tendency in the Government to design a system, think one size fits all, then we didn't experiment enough. So pilot tests in that sense would be good.

Much has been done under the National Performance Review. We have done pilots. But when we got into questions of pilots tests that might waive statutory authority, we thought that might have some merit, but it would take a great deal of thought to figure out exactly how to do it. We could not like, say, eliminate this statute, or that statute is fairly important. This idea of pilots, we thought it was quite good. We thought there might be merit in some pilots that might waive some statutory authority, but we really don't know how to do that at this time.

Mr. HORN. OK. Then the rest was simply that the Joint Financial Management Improvement Project did come to realize the value of pilot tests as a result of its almost 2-year study, and highly endorses the proposal. GSA supports these provisions and is prepared to offer drafting advice. We will be glad to take a look at that.

Do any of you want to comment on any of these items we have kicked around here?

Mr. HAMRE. I have a comment concerning the use of the credit cards. There is no disagreement that that ought to be our goal. It is far more useful as a tool. And, indeed, I think we in the Department very much want to make it the primary tool. We in DOD, unfortunately, are trying to convert a cash culture that has grown up about travel over the last 30 or 40 years. Far too much of the use of the credit card today is to go to a machine to get cash and transact on cash.

Unfortunately, that cash usage also tends to be correlated with a bit of abuse of the cards, and we have been trying to bring abuse of our use of our credit cards in line. We weren't as attendant to it when the card was first deployed. We didn't have the training and discipline at hand.

We are working actively, especially with our vendor, to try to get a handle on—this hasn't been a wide problem, but it is not an acceptable status where it is right now. It causes me a bit of concern to say to mandate the use of a card right away—I mean, there is no question we want that as a goal and we want to work in that



direction. But this card is still the property of the individual, and the question is to what degree do we put a battalion first sergeant in charge of being a collection agent for a private company because we expect the chain of command to police up the poor actors, and yet it isn't a responsibility to be a collecting agent on behalf of American Express or whoever would be the vendor?

So we have done a lot to change our thinking about it. We have lowered our cash limits, instituted a lot of artificial intelligence techniques in the use of the card; but to immediately mandate use of the card I think would be a step back in our campaign to try to get improved performance on the part of our cardholders.

So I would ask for flexibility with us. We may be unique in the Department. There are a few places where we have to have cash. When we have an airplane that is flying a mission into Central Africa and it is diverted, they have cash on board in order to buy fuel, for example. So there are some cases where we are going to need to continue to have cash. And there are some places where we need to allow cash advances. But definitely the goal ought to be the use of a card, that ought to be the default option. But I would ask for your flexibility in mandating its use immediately, because we need to work out of problems in the Department.

Mr. WAGNER. I agree with Dr. Hamre. I think when you get into mandating the charge card, there are many difficult issues. And I would observe that the legislation you have proposed does not require cards everywhere. It gives the authority to require their use. And I would anticipate that the Administrator of GSA in exercising that authority, should it be given, would work in consultation with the agencies to be selective and appropriate in how one would require its use, because there are difficult issues.

There will be many situations in the future where we won't be able to require, and we should work out ways to do that. A blanket mandate, I agree with Dr. Hamre, carries certain dangers, but the regulatory flexibility to work out in the appropriate situation, I think we would handle that in a way Dr. Hamre would support.

Thank you.

Mr. HORN. OK.

Mr. CHARNEY. I would like to point out that Mr. Wagner has started a process of writing GSA regulations in English so we can all understand them.

Mr. HORN. He is going to regret that. Now you understand them.

Mr. WAGNER. That is the point.

Mr. CHARNEY. One final thing I would like to say; we are also trying to reduce the number of pages.

One final thing, the JFMIP study was the first effort, that this is going to be a continuing process, and there is greater dollar savings to be realized. One of my personal goals is that Government travelers shouldn't be charged State and local tax, which I think adds hundreds of millions of dollars. And unless the hotel bills are paid directly, we all get taxed on our hotel bills. It is no change in the legislation; just an implementation that the Federal Government should not pay State and local taxes. This is just our first shot across the bow, so to speak, of where we think we can save money in the future.

Mr. HORN. That is a very important point, because you are right about the expense. Recently one of my colleagues had the good sense to ask for the exemption slip when we were at a hotel together on an official trip, and I didn't realize they had them behind the counter. All you have to do is ask for them and they waive the tax. I don't know how many hotels have that, but in San Juan, PR, they do.

Mr. CHARNEY. It varies not only from State to State, but from county to county and city to city. Maybe you would want to put it in legislation in the future, if you are on official government travel orders you are exempt from tax.

Mr. HORN. Let's take that into account here and see what we can do. We welcome your guidance on all of that.

I now yield time to the distinguished gentleman from New York, Major Owens, who is the acting ranking minority member today.

Mr. OWENS. Thank you, Mr. Chairman.

Let me congratulate you on the leadership of this subcommittee for the tremendous amount of work you do in the area of oversight. I think the subject this morning has been explored thoroughly, and this is a piece of legislation which arises from a study which has been a thorough study, and there are few objections that can be raised to what is being attempted here. But I think my colleague, Mrs. Maloney, and I are very concerned about oversight of larger issues that are more productive in terms of savings.

As you know, Carol Maloney tried to get more action from this subcommittee and the committee on the question of \$55 billion dollars of unpaid debts, that we need to spend some more time on trying to find ways to make certain that debt is collected. So I am not going to repeat the kinds of questions that you have asked.

The subject has been thoroughly explored. I am going to take advantage of the fact there are witnesses here and ask a few more far-ranging questions.

I think, Mr. Brock, you said you surveyed 70 executive branch employees and their travel arrangements and found that only a handful of Federal agencies have adopted the best practices of the private sector. Is there any way that we can guarantee that the best practices of the private sector and the best practices that you find are acceptable for the Federal Government—Mr. Brock is not here?

The GAO witness for Mr. Brock?

Let me throw the question out in general to all of you from the Federal sector. Is there any way we can guarantee that the best that we decide to be implemented will get implemented by all the agencies across the board, and whatever taxpayer money is being spent, the best effort is being made to realize the best use of the money for travel arrangements, the best amounts of cost savings? Is there any way we can guarantee it is not just a handful that decides they are going to do things the way it should be done?

Ms. ROBINSON. I would like to respond.

In the Joint Financial Management Improvement Program, I certainly would not say that we can guarantee that all agencies will be following the best practices, but one of the important parts of our mission is to disseminate information on best practices to the agencies.



We are working on this travel project. We worked with a number of private sector companies and they did share their best practice information with us. We will publish this kind of information in our quarterly newsletters. We will put the information on the Internet. We have Finance-Net that we use in the financial management community. We have several ways of getting the information out, passing it on to the agencies.

We also reinforce it in our educational and training events. So we will make sure that the information is available to the agencies; we will work with GAO and the Office of Management and Budget to provide guarantees. But I assure you, we will disseminate information on best practices.

Mr. OWENS. Is it correct for me to assume that within the executive branch somewhere there is the power to make certain that there is a uniform application of the best procedures and practices?

Ms. ROBINSON. In the executive branch much of the power and the authority is exercised through the Office of Management and Budget. The Office of Management and Budget is one of the organizations that support the Joint Financial Management Improvement Program.

Mr. OWENS. They cannot order that uniformly best practices are implemented throughout—

Ms. ROBINSON. They issue bulletins and circulars and they tend to exercise their power through control of the purse. And they do review the activities of agencies, they look at the reports from the General Accounting Office. And we think the best enforcement mechanism comes from the Office of Management and Budget because they do pay attention to the practices and activities of the agencies and they take that into consideration when they do the budget reviews.

Mr. OWENS. The power is in the Office of Management and Budget; if they do not exercise their powers appropriately—

Ms. ROBINSON. Sometimes they think they are. We will convey your concerns to them to see that it is exercised even more.

Mr. HAMRE. Mr. Owens, from the perspective of the DOD, it is a very perceptive question because it gets to the core of a very central problem I think we have in the Government. We tend to run the Government with left-handed tightening wrenches: You can't do this, you can't do that, you got to do this, you got to do that.

We don't tend to have equal useful tools that encourage best practices. We tend to have tools that discourage what we perceive to be bad practices or prohibit bad practices. So trying to find a way to promote the use of good practices and best practices always has to be harmonized with an organization's central business activities.

For example, a best business practice that might be designed for the Federal Government in the abstract may not work for us in DOD where we have to move a battalion on short notice from one location to the next. So you really do have to count on us at the organizational level, at the Department level to design the tools that are committed to best practices consistent with business activities that we are trying to manage.

The way we are doing it in the Department for travel is that we have launched a series of pilot projects. I think we have 29 or 30 separate pilot projects, each one where we first benchmark their activity before we start the pilot, and then to adopt best business practices that are consistent with their particular organization's work. And we are monitoring that and keeping track of it and finding what are the tools to work best, so that we can use that to design our overall travel system. It is absolutely the right question. It is a very complicated thing when you think about the diversity of activities we have in Government.

Mr. OWENS. Wouldn't you say there are some bedrock principles that can be followed, such as checks and balances, so one person is not handling everything, certain kinds of audits that ought to be performed periodically regardless of what the agency is or isn't; would you say that they must be done all the time?

Mr. HAMRE. I would. When you talk about best practices, this gets to a central philosophy for new travel design, which is, in our view, the travel services belong in the private sector by the service from commercial vendors that are out there doing it day in and day out. So we want to use commercial travel offices. We want to use commercial credit cards. We want to use commercial reservation services. Let that be in the private sector.

But there are certain things that the Government alone must do, and that boundary condition is what you have to engineer in designing a new travel system. And those things that have to be in the Government is authorizing the travel, accounting for the travel and auditing the travel so that we know that the Government is getting value for the services.

We are designing a system, and I believe this would be a common theme you would find from all our departments, where the travel service is to be in the private sector, but the truly Government functions have to be in the Government in a streamlined manner with the least amount of impediment on the private sector, no needless regulation in the private sector. But I think beyond those bedrock kinds of premises, you have to then accommodate the uniqueness of the departments and the kind of business activities they have to undertake.

Mr. OWENS. I cannot resist this temptation. One of the more exotic operations of the Federal Government, such as special prosecutors, when they come in they should be handed some kind of system which taxpayers expect them to follow, accountability for expenses and for travel. The Federal Reserve Board ought to have the same kind of bedrock procedures.

I think the CIA should also have the same bedrock accounting procedures. We can't audit them, because in the process of auditing them you find out secrets that people not authorized to find out things would find out, but they ought to follow certain systems. You should not have a situation where the CIA has \$4 billion that it didn't know it had.

For special prosecutors, like the Iran-Contra prosecutor spent millions of dollars traveling back and forth from his home to Washington, personal travel things, and we paid for it because it seemed there were no guidelines or prohibitions against that. We have other special prosecutors spending millions of dollars with an open-

ended account, and what about their travel arrangements also? I really want you to deal with the CIA part.

Mr. HAMRE. I have been deeply involved in that over the last 2½ years with Secretary Deutch, who was the Deputy Secretary of Defense and then became the Director of the CIA. And in the process of our working with him in that conversion, we reported to him that we did have excessive cash balances in one activity.

I think it is to his great credit that he immediately got on top of it, he cleaned house, brought in a new Chief Financial Officer for the National Reconnaissance Office. We have been very open with the oversight committees to indicate, and we have offered up over \$2.5 billion. It wasn't the case that the dollars weren't needed for the underlying program but were out of cycle for when they were needed. We accumulated large balances, and that was poor financial management, you are absolutely right, sir.

Mr. OWENS. Billions of dollars around that nobody seems to know is there and the opportunity for unauthorized travel arrangements, to say the least, are infinite, and the opportunities to steal are infinite.

Mr. HAMRE. Director Deutch and Secretary White asked for a joint review of the inspector general for the Central Intelligence Agency and the Department of Defense. It was an independent review, and there has been no evidence of any abuse or fraud or waste.

This was a case of they—people weren't looking as closely as the cash balances, the cash balances built up. They were not wasted, and they were not spent, and they were recovered by the Federal Government and they were applied to other purposes. So I give great credit to Secretary Deutch and to Secretary White for having tackled that problem when they found out about it.

Mr. OWENS. You could swear on a stack of Bibles?

Mr. HAMRE. Sir, I was asked to swear when I came in this room, and I tell you the truth as I know it—

Mr. OWENS. As far as you know it, billions lying around. The Federal Reserve Board, were they included in the financial management improvement project in the process of coming up with these recommendations? They ended up with \$3.9 billion they had in a so-called rainy-day fund and they haven't had a rainy day in 30 years. Were their practices included?

Ms. ROBINSON. We did not include the practices of the Federal Reserve Board, but our project is not complete. We may include others in the future. We have just stimulated a lot of action among the agencies, and as you have heard, many of the agencies are moving to reinvent and improve their practices, and we have the opportunity to meet with others in the future. But up to this point we have not worked with the Federal Reserve Board; we can.

Mr. OWENS. Would anybody else care to comment?

Mr. CHARNEY. Yes, sir.

The Chief Financial Officers Council has best practices sessions. He is a CFO with GSA, so we can share the best travel practices. The CFO's as a group are interested in all the practices, but downsizing the Government, we do have to improve the process or we won't be able to function. So it goes on on a continuing basis.

Mr. OWENS. Thank you very much.

You should continue your record of oversight.

Mr. HORN. The gentleman has made an important point. And I have asked Mr. Brasher to pursue with some experts that question on this, as to the degree to which we have to specifically note or we can note the Federal Reserve Board among others, because I think the line of questioning made a lot of sense.

Let me pursue some of these matters now, Ms. Robinson, in terms of did your project examine making use of the Government travel charge card mandatory? I take it most of the agreement is that it will not be mandatory and it will be left up to the business practices, as Mr. Hamre put it, wherein it fit with a business practice of a particular governmental entity, that it might well be made mandatory by that particular department. Is that the philosophy, basically?

Ms. ROBINSON. We are hoping that, as we said in our report, that we strongly encourage it, and there are places where use of a charge card could be required. We are thinking that the Administrator of the General Services Administration would be able to work out situations that are special, such as these in the Department of Defense.

We still feel that for a great majority of people in the Government who travel, a charge card can be used, and we still encourage that, with the Administrator having the flexibility to make determinations where waivers or exceptions should be made.

Mr. HORN. Now, we have already had a discussion on the monitoring, but let me review it again. You have a choice essentially of GAO on behalf of Congress as the general auditor of the executive branch, and that would be a statistical sample, conceivably, and you have a choice of OMB, and you have a choice of GSA in terms of travel practices. Is there any other thinking as to what, if any, monitoring system is available?

Now, one view was let's leave it up to the agencies to sort out the effectiveness and the goal-reaching when it comes to travel management. What are the feelings on that, just to sum it up?

Ms. ROBINSON. We recognize the role of the General Accounting Office and appreciate and encourage them to do their audits. We did consult with the President's Council on Integrity and Efficiency. We talked with a number of the inspectors general. They agree with the recommendations of the report and have given every indication that in their respective agencies they will be reviewing the travel practices and encouraging and reporting on the compliance with the recommendations that we have made.

They gave us good suggestions as we were working on the recommendations. And we feel that we can look to them to work with the General Accounting Office, work with the chief financial officers to make sure there is a concerted effort in Government to make progress with the recommendations that we have developed.

Mr. HORN. So I assume from the agency standpoint, between the chief financial officer and the inspector general, we can expect some sort of monitoring?

Ms. ROBINSON. Yes, sir.

Mr. HORN. Is the burden placed on one rather than the other?

Ms. ROBINSON. They work cooperatively. In reporting the savings, implementing the performance measures, the chief financial

officer has the lead there. Most of them we found work with the inspectors general to make sure that it is the best it can be for the agency.

Mr. HORN. If any of you disagree with this, just get into it. Don't be shy.

Dr. Hamre, one remaining question. Are there particular services better at capturing financial information needed to evaluate the travel cost data? You have reviewed how some of the services work or some of the separate entities within DOD.

Mr. HAMRE. I am not sure that it falls so much along service lines as it does organizational lines. We have some organizations that just consistently do a better job of tracking it than others. Some have highly centralized processes, and it tends to get lost in our overall accounting systems, which aren't as good as they need to be.

Why don't I come back and give you a list of those we think are better, which we consider models for monitoring costs, and a brief synopsis on what we are finding in the baseline effort that has been done in the pilot projects and which we think are the strongest ones to go from.

[The information referred to follows:]



**House Committee on Government Reform and Oversight**  
**Subcommittee on Government Management, Information and Technology**  
**Hearing Date: July 9, 1996**  
**Subject: HR 3637 - Travel Reform and Savings Act of 1996**  
**B 373 Rayburn House Office Building**  
**Washington, DC 20515**  
**Attn: Erik Anderson**

**Question:** Are there particular services better at capturing financial information needed to evaluate the travel cost data? You have reviewed how some of the services work or some of the separate entities within DoD.

**Answer:** Why don't I come back and give you a list of those we think are better, which we consider models for monitoring costs, and a brief synopsis on what we are finding in the baseline effort that has been done in the pilot projects and which we think are the strongest ones to go from.

**INSERT:**

The Department of Defense Travel Pilot Testing was designed to test the reengineered travel concept of operations in a variety of environments. Our pilot population includes a cross section of the Department which encompasses: tactical units; administrative headquarters; each of the Military Services; Defense Agencies; active duty and reserve components. Thus far, none of these groups has shown a greater ability to document the financial costs associated with travel than any other. Each site has unique circumstances which may support or detract from financial data collection.

The DoD Reengineering Travel Task Force Report (January 1995) documented that the current DoD travel procedures are manpower intensive. In those cases where all or part of the administrative travel processing had been automated, there were notable reductions in manpower requirements and overall costs. The pilot program was designed to capture these cost reductions and test the concept of operations for a revised travel system.

Part of the conditions which were imposed upon the pilot sites for participation was to document clearly their current travel processes. Each site, using the DoD model as a point of departure, identified the steps which are required to complete a travel occurrence. Based on this model, each pilot was asked to report the personnel time and costs associated with travel administration to establish a baseline.

While data collection methodologies to establish the baselines have been varied, the results have been reported in a consistent manner, based on their ongoing procedures. Some sites, such as Bolling Air Force Base, Army FORCES Command Headquarters, and the National Security Agency, had already taken steps to automate portions of their travel processes. A more sophisticated methodology was used by the Defense Finance and Accounting Office -

Kansas City. Their simulation model was coupled with a time-motion study to predict performance more realistically. Most sites used surveys or tracking sheets to capture the data needed for our analysis.

In addition to the pilot tests, DoD also is developing a Cost Analysis Requirements Document (CARD) for the Defense Travel System (DTS). Fundamental to any cost estimating effort is a description of the salient features of the program, and of the system or services being acquired. In DoD terms, the CARD will be utilized for cost estimation purposes by incorporating numerous policy, procedural and structural changes. Where policy issues may affect processes or structure, assumptions will be made to focus attention to the most likely processes or structure that could be impacted. These assumptions may change over time, and the CARD will be updated accordingly.

Preliminary information shows that the costs of processing travel can range from as low as \$33 per voucher for a highly automated system to over \$425 for manual procedures that require significant time on the part of travelers and support personnel. The time required to process travel can take as little as 1 ½ hours or as long as 15 hours. Overall, the average time and costs that we have seen to date are approximately 5 hours of manpower and \$103 per travel occurrence. Approximately 65 percent of these costs can be categorized as administrative support costs. This means that roughly 3 hours of time per voucher, which equates to \$66 of expense, are directly attributable to the administrative functions of other than the traveler.



Mr. HORN. Thank you very much.

Mr. Wagner, travelers often need to make telephone calls to their agency, to their family, whatever. Has GSA a contract to allow Federal travelers to obtain low FTS 2000 rates through use of a phone card, and would that save money?

Mr. WAGNER. Yes. There is a FTS 2000 calling card, and the two vendors, AT&T and SPRINT, and depending on which agency you are with, you have a calling card. I have one in my wallet right now.

What we still need to do, we have failed so far, is see if we could combine onto one card, telephone calling card services as well as a travel card. That is an issue we have looked at. We have failed to manage so far to put it into one card. We are actively looking at it as part of future follow-on contracts.

There will be a follow-on contract for the travel card, and one of the things we want to look at is finding ways to support telephone calling card services as well. We have not yet figured out how to do that.

Mr. HORN. Is that a large or small group of Federal travelers that have the card?

Mr. WAGNER. I think it is probably a fairly large group. My assumption would be that anybody traveling is likely to need to make long-distance telephone calls, too. I probably have overstated it because I don't recognize how many are, for example, in unique situations in the DOD. So although I have no data, and I will have staff check to see if we have data on the overlap, I would anticipate a fair amount of overlap between FTS 2000 calling card services and travelers.

This is a fairly fruitful area for us to be looking at. I have had discussions with the FTS 2000 folks as well as the Federal Supply Service folks on how we could design those two card services in follow-on contracts, but they are just preliminary discussions.

Mr. HORN. The House and Senate take advantage of your negotiations of travel rates, which is very good. You can't beat \$217 round-trip from here to Los Angeles. But we also carry American Express, U.S. Government for Official U.S. Government Travel-Only Cards as a result of the reforms in the House, and there have been further reforms where we pay the bill; then we file for reimbursement. I just wondered if that is through the courtesy of GSA at all, with the House Oversight Committee?

Mr. WAGNER. I believe if you are using an American Express Government Card, that would be through the Federal Supply Services contract.

Mr. HORN. Have you found any problems with that contract one way or the other, with Congress or with the executive branch?

Mr. WAGNER. Not that I know of.

Mr. HORN. In terms of abuse of it, I am thinking; what sort of abuse has occurred?

Mr. WAGNER. There have been occasional reported abuses. I am afraid that I am not as current on that as I could be. It is a very small fraction, a minuscule fraction—

Mr. HORN. Why don't you file a note at this point in the record, without objection, so we have a feeling for what abuses might be,

whether committed by Members and staff of Congress or members and staff of the executive branch.

Mr. WAGNER. To the extent that the abuse occurs, it is typically people putting personal expenses on the card. They are liable, not the Federal Government. So it is more a management issue than people making the Government liable for personal expenditures. That is not where the problem is.

Mr. HORN. Is the judiciary also included in that card, do you know?

Mr. WAGNER. We will get back to you on that. I don't know.

Mr. HAMRE. Mr. Chairman, may I just—as you are going through this deliberation thinking about this legislation, I think it might be wise if you were to talk to the credit card companies to see what they think about mandated use of the cards. There are enough problems with delinquencies and collections that the credit card companies may be loathe to be put into a situation where they would have to provide a card to absolutely everybody.

This is something that we have been struggling with in the Department. We have almost 800,000 cards in circulation, and I believe the delinquency rate is running about three times what it is in the private sector. The reason for that is because the American Express card in its traditional market base has been to a higher-income clientele than routinely given out to enlisted personnel and junior officers who would not normally qualify for an American Express card, but now they have one and we have a higher delinquency problem.

If you mandated use of the card, I would hate to have the credit card companies not bid in the solicitation because they would be afraid that they would be losing money. The margins are very thin in this industry.

Mr. HORN. One possibility is allowing the card company to offset the Federal salary payments, and that will give a Federal rebate and make the Federal Government a much better customer and enhance integrity; what do you think?

Mr. HAMRE. I would like to talk to you about that. I think there is a lot of promise to that. It is treated as a commercial transaction between the individual and the company and yet they are only supposed to be using it for official Government business.

I am well beyond my expertise to say it, but I think we ought to find enhanced ways to help with recovery from people who have not been properly using the card. The Government has been trying to explore that. The credit card company has been working on that.

I don't know enough to be able to give you a thoughtful answer other than a gut sense that I think we need to be proactive working with it. My first sergeants say it is none of my business to become a collection agent for a private company. We have to find a way to engineer a more useful solution. I would like to be able to give you a thoughtful response, not an off-the-cuff response.

Mr. HORN. We will need the thoughtful response in the next week, because this legislation is moving. As long as it comes in in a week, thoughtful comment, we will be glad to hear from you on that.

It just seems to me when it says Official Government card for U.S. Government business, that if they are using it for personal

business we ought to be able to do a salary offset on them. Let us know if we are right, and if so, let's put it in there to solve the problem.

[The information referred to follows:]

In response to your question regarding the review of the Federal Travel Regulation (FTR), GSA is in the process of revising the regulations. They plan to make the FTR more reader-friendly by using a question and answer format. 41 CFR Chapter 301, Travel Allowances, will be rewritten by November 15, 1996. The statutory changes will be incorporated into the FTR within 180 days after the enactment of the Travel Employee Reform Act of 1996, Public Law 104-208, September 30, 1996. All other changes will follow.

Mr. HORN. Let me get on.

Mr. Wagner, you mentioned the GSA is examining an internal agency travel pilot involving a paperless system tied into the accounting system. I realize some of these are experiments, but do you feel at this point it is feasible for most Federal agencies?

Mr. WAGNER. At this point, and I think Mr. Fisher would confirm this, we feel it is quite promising. We are discovering we may have to do some additional amendments to the travel regulations to be able to fully realize all the benefits of the approach.

What happens is we have built this travel system that tends to be an overlay with additional things on top of a management system, and to the extent that you can have one process support the dual functions, we should be able to save a lot of money.

Essentially what we are doing, as Dr. Hamre pointed out, is if you trust your management to manage millions of dollars, trusting your management to oversee the thousands of dollars of the people under their employ, would work. We should be able to do that, so we see it as quite promising.

Mr. HORN. As I understand it, the GSA recently announced its intention to move from a single-vendor to a multiple-vendor contract award for its travel charge card program. What are the benefits to the Federal Government in this?

Mr. WAGNER. The prime benefit is if you think of a card as more than simply a way of getting 0.65 percent back on a purchase but as a way to reengineer your business process to be much more efficient, it first recognizes that as the primary value of the card.

The second is it, we would hope—and we have I guess a bidders conference tomorrow, where we will start the dialog with the prospective vendors on it—it could encourage innovation. The idea is we would have multiple awards, where different companies would offer enhanced services, and agencies, which would have a specific need or an opportunity to use that service could get it. Some agencies we would anticipate would be more in need of some services than others.

One danger is this one-size-fits-all mentality. Some agencies can use the enhanced services more easily. We would hope through this we would use a card technology to enhance a business process.

I would also observe that the cards are moving from magnetic stripe toward smart cards where there is intelligence and data saved on the card itself, and as that starts to be fully deployed through the U.S. economy we would see additional enhancements possible. DOD has been a leader in this area with their MARK card. We would hope that we could expand on that on the civilian side as well.

Mr. HORN. Does anybody have any other thoughts on the multiple card approach here? Does that make difficulty in agency accounting management?

OK.

Moving to you, Mr. Charney, representing the Agency for International Development, you mentioned the taxability of moving expenses in your testimony, and that item was not included in the legislation, I believe, transmitted by GSA. I wondered, explain why this is important and then tell us why it was not endorsed and should it be endorsed?

Mr. CHARNEY. No. 1, it should be endorsed. Some of the individuals thought it was too complex an issue to address at this time, but the fact that you are willing to do it we encourage. It is a very complex issue. The legislation is only about 3 or 4 years old when they started doing that, moving the taxability of relocation expenses from the employer to the employee.

We discussed that with Mrs. Richardson at IRS, to determine if it would be revenue neutral. For the Federal Government it certainly is. For some of the private sector, they weren't quite sure, and it is a very complex issue from the revenue standpoint.

The private sector companies do it and try to get the employee to be cost-equal. In the Federal Government it is hard to determine because they have a formula. It is possible, even with the tax equalization, that it will cost the individual a considerable amount, depending upon his economic status. We certainly do encourage it.

Mr. HORN. Did IRS file a formal statement with the project when you were reviewing all these matters? You mentioned the meeting—

Mr. CHARNEY. I don't think they filed a formal statement. We were working with IRS and Tax Policy of the Treasury Department to resolve some of these issues.

Mr. HORN. It could be the Ways and Means Committee would want to assert its jurisdiction and worry about this more than we want to worry about it.

Mr. CHARNEY. The cost of administering the program is in excess of \$50 million a year, just to administer the tax exemption.

Mr. HORN. What are some of the elements that go into making up \$50 million?

Mr. CHARNEY. It is people, time and doing the calculations to reimburse the employees. If you travel or if you relocate and get \$30,000, there is a tax on that and there is a tax on the 30. It is an infinite number, and they just arbitrarily stop. So the individual gets that money in his gross income, which he has to pay tax on.

It is easier if the agency pays the relocation directly anyway and doesn't include it in taxable income. The cost of processing relocation vouchers approaches 10 times what it costs us to process a TDY travel.

Mr. HORN. What would you have us then mandate to solve the problem?

Mr. CHARNEY. When the employer pays the relocation cost it becomes an employer expense and not a taxable item to the individual. The employee is being relocated for the convenience of the employer, so the fact that you burden him with an extra tax seems to be an unnecessary burden.



Mr. HORN. Not exactly good for morale.

Mr. WAGNER. The reason we did not have it in the package was complexity, and perhaps there were some jurisdictional concerns as well, but we do intend to pursue this on a separate track because we see a lot of merit. Not everything that we wanted could be put in the proposal that we submitted. Some will take some more work.

Mr. HORN. I take it these proposals were reviewed by OMB and they agreed they were in accord with the program of the President, that this item was either dropped out at OMB or dropped out by the task force itself?

Mr. WAGNER. I would prefer to characterize it as through the OMB review process there was enough complexity in the issues raised of a tax nature that we felt we needed more time to resolve them.

Mr. HORN. So you are continuing to resolve this matter?

Ms. ROBINSON. Yes.

Mr. HORN. When do you expect it will be resolved?

Ms. ROBINSON. We sent a letter to the Office of Tax Policy and have talked to the people at IRS, and we have a projected date of September. But I caution, that is a projected date, not a date that the Office of Tax Policy has told us will be a final conclusion. We are working with them constantly and are going to strive to get it resolved by that time.

Mr. HORN. We are working on a date of the end of July, which we are not going to do anything in August anyhow, so it would come up on the floor in September, and if there were a conference, it would come up in September, the conference. So we might be able to move something in conference, I would think, on this, if you would come up with the language.

Ms. ROBINSON. Thank you.

We will certainly try.

Mr. HORN. Mr. Charney, I noticed your testimony implied that what is needed to improve travel is attention to management, and I think we would all agree with you on that. Are there any legislative tools that you think you need to reduce the cost of TDY and the relocation travel?

Mr. CHARNEY. Like I said, this mandate that Federal employees on official travel are not subject to State and local taxes I think is—

Mr. HORN. I understand. Is there anything else?

Mr. CHARNEY. Nothing else in particular.

Mr. HORN. Should Congress—how can we—what else can we do, if anything, to best oversee the executive agencies that may not have an executive that is paying the attention to these matters that you are?

Mr. CHARNEY. The CFO Council is very much interested in this.

Mr. HORN. So depend on them and depend on the inspector generals, I take it, is what I have heard here?

Mr. CHARNEY. Yes, sir, and this legislation, since the redoing of the GSA travel regulations, goes a long way. It is kind of like one step at a time. Once we get those, we can digest that and see if there are more areas for savings.

Mr. HORN. Are there additional thoughts?

If not, if you get a bright idea in the cab ride home or the chauffeured car, or whatever—we are not used to those things in Congress—but send us a note or pick up the phone, talk to Mr. Brasher or me and we will try to be accommodating because we want this thing to roll, and I think we are in agreement on it. Let's see if we can't get our colleagues to agree to it.

The quorum, by the way, was reached during the beginning of Mr. Charney's testimony, for the record.

I now want to thank the staff that has been involved with this project, J. Russell George, the staff director and counsel seated in the back; Mr. Mark Brasher to my left, the professional staff member particularly involved with this hearing; Mr. Erik Anderson, the new clerk for the subcommittee; Melissa Fuhrman, Ian Davison, and Thomas O'Brien, our interns. We have a free labor pool here during the summer, thanks to various and sundry universities. And the minority staff, Miles Romney, and Mark Stephenson and Tina Mazon, the professional staff members; and official reporters, Katie Stewart and Marcia Stein.

We thank you all and thank our witnesses for coming.

The hearing is adjourned.

[Whereupon, at 11:10 a.m., the subcommittee was adjourned.]











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